

Sustainability Report

2022 – Web version –

Every year the Daikin Group reports on its CSR (corporate social responsibility) activities. On the Sustainability section of the Daikin website, we have past years' data and related information so that you can read the details of all activities we are involved in. This PDF file contains all the fiscal 2021 information from the Sustainability section of our website as of November 2022. You may download and print it out.

Note: The printed version of the Sustainability Report 2022 focuses on our main activities and efforts. It can also be downloaded as a PDF file.





For the Air We Live in



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Editorial Policy

EDITORIAL POLICY

Editorial Policy

Sustainability Report 2022 and Sustainability (website) cover the basic philosophy of the Daikin Group with regards to sustainable growth, achievements in fiscal 2021, and plans for the future.

Daikin has identified key sustainability themes, among them response to climate change, after analyzing risks and opportunities based on the business characteristics of its operations, impacts of its business activities and market forecasts. We have also reviewed our indicators and targets on sustainability based on the Fusion 25 Strategic Management Plan formulated in 2021.

This report contains Daikin's basic approach to sustainable growth, fiscal 2021 achievements, and future plans following the five Value Provision themes (environment, value of air, customer satisfaction, human resources, and co-creation) and the five Foundational themes (corporate governance, respect for human rights, supply chain management, stakeholder engagement, and local communities). It was designed to convey this information to stakeholders in an easy-to-understand manner.

> Sustainability Report (https://www.daikin.com/csr/report)

Third-Party Verification

To ensure reliability of the content of this report, Daikin had a third-party verification conducted for data on greenhouse gas emissions, water use, waste water, waste emissions, and chemical substances emissions.

> Third-Party Verification (Page 641)

Referenced Standards and Guidelines

- GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- ISO 26000 Guidance on social responsibility
- Environmental Reporting Guidelines of Japan's Ministry of the Environment
- > Search by Guidelines (Page 699)

Disclosure of financial and non-financial information

Daikin discloses information according to the needs of stakeholders.

Reports on financial information: Disclosure of financial information and IR information

- > Investor Relations website 🗖 (https://www.daikin.com/investor/)
- > Brief Report on the Settlement of Accounts (https://www.daikin.com/investor/library/results_brief/)
- > Integrated Report 🗖 (https://www.daikin.com/investor/library/annual/)

Reports on non-financial information: Disclosure of initiatives on sustainability covering the main themes of CSR and the environment

Sustainability website

- > Sustainability Report (https://www.daikin.com/csr/report)
- Corporate Governance Report (Page 402)

Note

In reporting on fiscal 2021 CSR activities, data was carefully reviewed and was revised in cases where discrepancies occurred between actual results and information reported for previous years. Also, because figures are rounded off, totals may not equal the sum of individual figures.

Forecasts, Expectations, and Plans

This report includes forecasts, expectations, and plans, in addition to past and present facts, about Daikin Group. Please be aware that these are assumptions and judgments made based on the information available at the time this report was written and thus incorporate a degree of uncertainty. Consequently, there is a possibility that events occurring in the future may turn out differently from the forecasts, expectations, and plans stated in this report.

What This Report Covers

Term Covered

This report covers fiscal 2021 (April 1, 2021 to March 31, 2022).

Daikin Organizations Covered

This report covers Daikin Industries, Ltd. and its consolidated subsidiaries.

- Financial : Covers Daikin Industries, Ltd. and its 322 consolidated subsidiaries (total 323 companies) .
- Social : Covers Daikin Industries, Ltd. and its consolidated subsidiaries; however, the coverage may differ by each item (Data coverage range is specified per item).
- Environment: Covers four Daikin Industries, Ltd., production bases; eight production subsidiaries in Japan, and 58 production subsidiaries overseas.

Japan

	Daikin Industries, Ltd.
Head Office	
Tokyo Office	
Sakai Plant	Air conditioning/refrigeration equipment, compressors
Shiga Plant	Air conditioning equipment, compressors
Yodogawa Plant	Fluorochemical products, hydraulic equipment, air-conditioning equipment, precision defense equipment
Kashima Plant	Fluorochemical products

8 Production Subsidiaries
Daikin Sheet-Metal Co., Ltd.
Daikin Piping Co., Ltd.
Daikin Hydraulic Engineering Co., Ltd.
Daikin Rexxam Electronics (Japan) Ltd.
Daikin Sunrise Settsu Ltd.
Toho Kasei Co., Ltd.
Kyoei Kasei Industries, Ltd.
Nippon Muki Co., Ltd.

Overseas

58 Production Subsidiaries

Daikin Air-conditioning (Shanghai) Co., Ltd.

Xi'an Daikin Qing'an Compressor Co., Ltd.

Daikin Device (Suzhou) Co., Ltd.

Daikin Air-conditioning (Shanghai) Co., Ltd. (Huizhou Branch)

Daikin Motor (Suzhou) Co., Ltd.

Daikin Refrigeration (Suzhou) Co., Ltd.

Daikin Air-conditioning (Suzhou) Co., Ltd.

McQuay Air Conditioning & Refrigeration (Suzhou) Co., Ltd.

McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.

Shenzhen McQuay Air Conditioning Co., Ltd.

Daikin Medical Technology (Suzhou) Co., Ltd.

Daikin Industries (Thailand) Ltd.

Daikin Airconditioning (Thailand) Ltd.

Daikin Compressor Industries Ltd.

Daikin Australia Pty., Ltd.

Daikin Airconditioning India Pvt. Ltd.

Daikin Refrigeration Malaysia Sdn.Bhd.

Daikin Malaysia Sdn. Bhd.

Daikin Research & Development Malaysia Sdn.Bhd.

Daikin Electronic Devices Malaysia Sdn.Bhd.

Daikin Steel Malaysia Sdn.Bhd.

Daikin Air Conditioning(Vietnam)Joint Stock Company

P.T. Daikin Manufacturing Indonesia

Daikin Europe N.V.

Daikin Industries Czech Republic s.r.o.

Daikin Device Czech Republic s.r.o.

Daikin Manufacturing Germany GmbH

J & E Hall Limited (United Kingdom)

Daikin Applied Europe S.p.A.

Daikin Isitma Ve Sogutma Sistemleri San. Tic. A.S.

Zanotti s.p.a.

Hubbard Products Ltd

AHT Cooling Systems

Daikin Applied Americas Inc.

Daikin Comfort Technologies North America, Inc.

Quietflex Manufacturing Company, L.P.

DAIKIN AR CONDICIONADO AMAZONAS LTDA.

AAF (Suzhou) Co., Ltd.

AAF (Shenzhen) Co., Ltd.

American Air Filter Manufacturing Sdn. Bhd.

AAF India Private Limited

AAF Saudi Arabia Limited(Saudi Arabia)

AAF-Limited (United Kingdom)

AAF International s.r.o. (Slovakia)

AAF France(GASNY)

AAF France(ECOPARK)

AAF,S.A.U.

Dinair AB

Dinair Filton SIA

AAF-Flanders

Daikin Fluorochemicals (China) Co., Ltd.

Daikin Fluoro Coatings (Shanghai) Co., Ltd.

JiangXi DaTang Chemicals Co., Ltd.

Daikin Refrigerants Frankfurut GmbH

Daikin Chemical France S.A.S.

Daikin Chemical Netherlands B.V.

Heroflon S.p.A.

Daikin America, Inc.



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Daikin CSR at a Glance

DAIKIN CSR AT A GLANCE

Daikin uses the technologies and knowledge related to air cultivated over many years to make life on Earth more comfortable. Going forward, we will provide new value that makes people and air comfortable and healthy through energy-saving technologies.



More Information about Daikin's CSR



> Feature (Page 622)

Introduces Daikin's activities for CSR



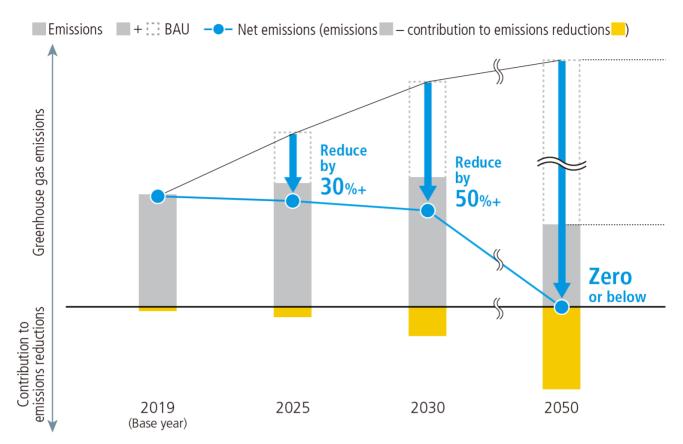
Sustainability Report
 Download the PDF file
 (https://www.daikin.com/csr/report)



> "Forests for the Air" Project (https://www.daikin.com/csr/forests)

Daikin carries out forest conservation activities in the seven regions worldwide

> Other Environment-Related content (https://www.daikin.com/csr/environment_special)



Reduce CO₂ emissions across the entire value chain

* This counts the amount of CO₂ emissions reduction Daikin has contributed to society as a whole through its initiatives. This includes emissions reduction achieved through penetration of our equipment with less emissions (replacement of our equipment), energy creation, and forest conservation activities, among others.

At Daikin, we strive to reduce CO₂ emissions throughout the entire value chain, from procurement of materials to development, production, transportation, installation, usage, recovery, and recycling. Our goal is to reduce emissions by 30% or more in 2025 and by 50% or more in 2030 compared to the baseline of 2019.



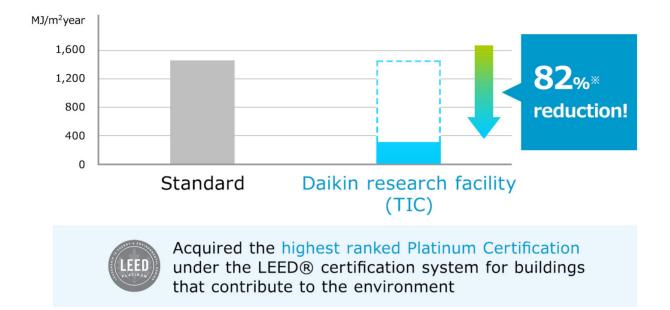
The Society Daikin is Aiming Toward

A society that does not exacerbate environmental burdens

Aiming for a society that reduces environmental burdens while making people and air healthy and comfortable by promoting the spread of air conditioners that have a minor impact on global warming.

Response to Climate Change

(Page 163)



Creating Comfortable Spaces with Small Amounts of Energy

* Energy saved through energy conservation and efficient operation of buildings and facilities, and energy created by solar power generation (fiscal 2016 results)

Daikin promotes R&D to reduce building energy consumption to zero.

At Daikin research facilities (TIC), we reduce energy consumption by 82% compared to standard buildings by introducing highly energy efficient equipment and management systems that control incorporate natural light and air and reduce the amount of air conditioning and electric lighting requirements.

The Society Daikin is Aiming Toward



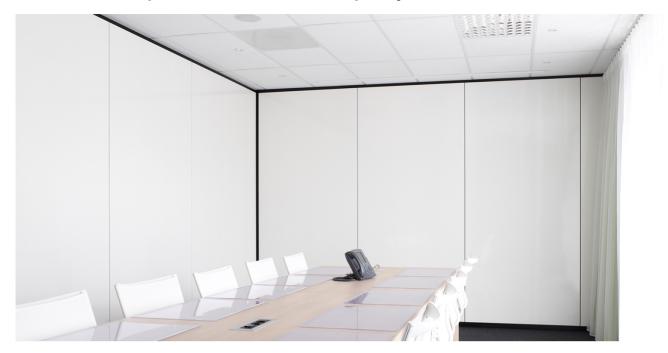
A Society that Uses Energy Efficiently

We aim for a society that maintains comfortable living and office spaces with less energy and are promoting efficient energy management initiatives that work for individual air conditioners as well as entire buildings and cities.

Providing Solutions

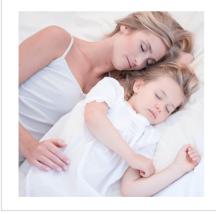
(Page 199)

Create air and space that enhances the quality of life



Daikin pursues the possibilities of air that contributes to human health and comfortable lifestyles. Amid increasing needs for air environments in light of air pollution caused by economic development in emerging countries, the spread of infectious diseases, and tightening regulations regarding spatial hygiene in the pharmaceutical and food industries, we pursue safer, more reliable, healthier, and more comfortable air environments from a variety of perspectives including cleanliness, airflow and odor, contributing to the creation of office, home, hospital and factory environments.

The Society Daikin is Aiming Toward



A Society Offering Health and Comfortable Lifestyles

We pursue societies where people throughout the world can live in health and comfort, as we seek to solve air problems and pursue improvements in the quality of spaces including air environments that enhance concentration.

> Value with Air

(Page 270)

Creating Environments in Which Everyone Can Work Energetically



Daikin believes in the possibilities of people brimming with diversity. In promoting the active participation of women, we are implementing measures including increasing awareness among male managers and female employees and offering measures supporting women's return to work after childbirth or childcare to avoid career gaps.

The Society Daikin is Aiming Toward



A Society in Which Everyone is Useful

With the aim of realizing a society in which everyone's diverse possibilities can be utilized, we engage in people-centered management that links people's individuality and strengths to business growth and global sustainable development.

Human Resources

(Page 317)

Conserving Forests with People around the World



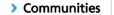
Daikin cultivates forests with local communities in seven locations around the world. There are many unnatural factors causing deforestation, including agricultural cultivation and the use of timber for firewood and fuel. In response to these issues, Daikin promotes initiatives aimed at achieving a balance between peoples lives and forest preservation.

The Society Daikin is Aiming Toward



A Society in Which Humans Coexist with Nature

Daikin cooperates extensively with governments, local communities NGOs and other groups to engage in conserving and restoring nature with the aim of creating a sustainable society in which nature and people coexist throughout the world.



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Message from the President

MESSAGE FROM THE PRESIDENT



Transforming the Changes Caused by Uncertain Times into Opportunities

In fiscal 2021, despite challenging business conditions, including the COVID-19 pandemic, soaring prices of raw materials, and semiconductor shortages, Daikin recorded net sales that surpassed 3 trillion yen and operating income in the 300 billion yen range for the first time. Living in a time of turbulent change presents opportunities for reform, and we will continue to tackle challenges and implement new measures.

Achieving Both Business Growth and Solutions to Social Issues as the Social Mission of an Air Conditioner Manufacturer

Over the years, Daikin has supplied products and services utilizing environmental technologies as the only company in the world that manufactures both air conditioners and refrigerants. Our core business of air conditioning, which has transformed the indoor environment in hot climate regions, is considered a part of the infrastructure that underpins society. Our products and services have been used to prevent heatstroke and improve air quality, thereby contributing to customers' health and economic development by improving work efficiency.

On the other hand, as worldwide demand for air conditioning is expected to triple by 2050, increased demand for electricity poses serious issues. The Group's social mission is to minimize the impact of future global warming while providing healthy and comfortable air environments that are safe and reliable, which has increased in importance during the COVID-19 pandemic. Daikin is committed to being a company always looking for ways to resolve environmental and social issues while achieving business growth.

Steadfast Efforts Toward Carbon Neutrality

The world has made a sharp and accelerated turn toward carbon neutrality. The Daikin Group has seized this opportunity to establish "Challenge to achieve carbon neutrality" as one of the growth strategy themes of Fusion 25, our strategic management plan running through 2025, based on the Environmental Vision 2050, which aims to achieve net zero greenhouse gas emissions by 2050. We have set a target to reduce net greenhouse gas emissions throughout the entire lifecycle of our products by 50% or more in 2030 compared to BAU^{*} with fiscal 2019 as the base year. In fiscal 2021, we reduced net emissions by 10% by expanding the sales of energy efficient products mainly in Asia.

The rising cost of energy, in especially recent years, presents the Daikin Group with an opportunity to spread our products and services with low environmental impact worldwide because of our leading environmental technologies of inverters and refrigerants with lower global warming potential. As the transition from gasoline-powered vehicles to electric vehicles continues, we will make new investments in the European market as we aim to promote the switch from combustion heating to heat-pumps that use heat in the air.

With efforts to achieve a decarbonized society being rolled out widely around the world, it is our top priority to further speed up our initiatives to reduce greenhouse gas emissions across the entire lifecycle.

* Business As Usual

In this context, BAU refers to emissions in case of normal business growth without the implementation of countermeasures.



* Net GHG emissions equals GHG emissions during the product lifecycle minus contribution to GHG emissions reduction.

Utilizing Diversity in Human Resources as a Source of Our Competitiveness

Daikin Group's greatest strengths are "flat and speedy" management aiming to promote solidarity in organizational management along with closeness between management and frontline workers and "diversity management" that seeks to attract diverse talent in terms of culture, ethnicity, age, and lifestyle habits and harness their individuality and strengths as the organization's strength. The diverse value offered by the Daikin Group's 80,000-strong workforce serves as the source of our competitiveness, which is backed by the cohesiveness and trust between management and employees. Our ability to refine management's capabilities utilizing the diversity of our workforce will make Daikin's sustainable growth a reality.

Continuing to Live Up to the Expectations of Stakeholders

Daikin has supported the 10 principles of the UN Global Compact since 2008 and endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2019. We are committed to continuously meeting the expectations of our various stakeholders, including customers, shareholders, investors, suppliers, employees, and local communities as a company that gives back to society as it grows.

Masanori Togawa President and CEO Daikin Industries, Ltd.



Sustainability Report

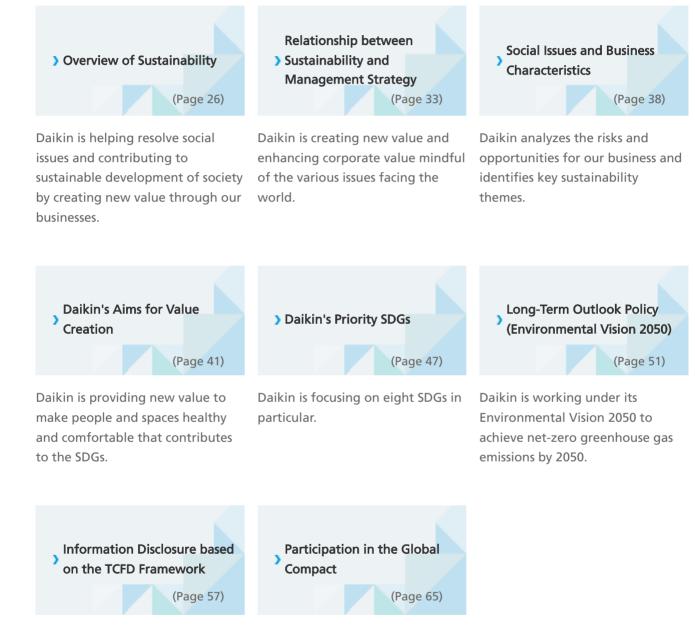
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Management Strategy and Sustainability



Daikin endorses the TCFD's recommendations and analyzes the impacts of climate change on its business operations. Daikin participates in the UN Global Compact supporting universal principles in the areas such as human rights and labor.

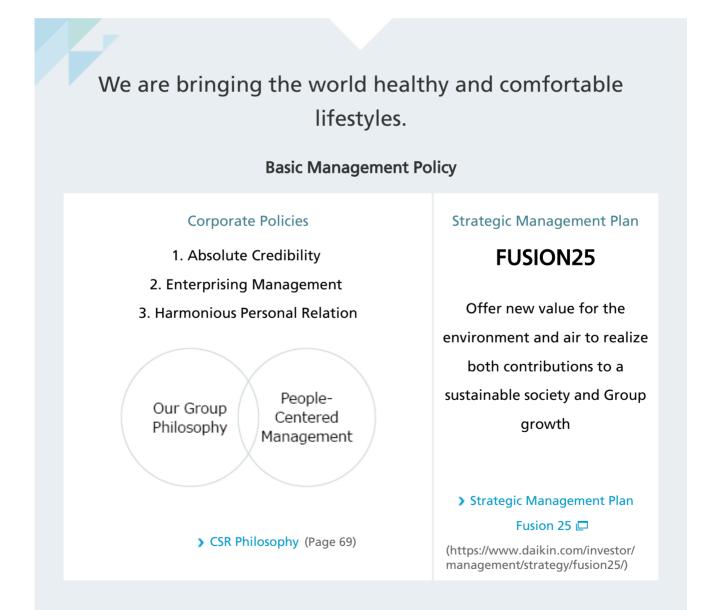
Management Strategy and Sustainability

OVERVIEW OF SUSTAINABILITY

Problems such as climate change and changing demographics are presenting our advancing global society with many challenges.

Daikin aims to contribute to sustainable growth for the world by solving social problems and providing society with new value.





Daikin's Three Business Pillars







Awareness of social issues

The world faces many problems, and to solve these will require that all stakeholders, whether from government, industry, or other parts of society, work together to create globally linked frameworks.

Outlook for Global Risk



Source: World Economic Forum Global Risks Perception Survey 2020

International Framework

Common goals to find solutions by 2030 for pressing world problems such as poverty, inequality, and climate change in order to realize a sustainable society century

Kigali Amendment to the Montreal Protocol

Sustainable Development Goals (SDGs)

The Kigali Amendment mandates to phase down the production and consumption of HFCs in CO₂-equivalent in order to mitigate their impact on global warming

Convention on Climate Change All major greenhouse-gas emitting countries,

Paris Agreement to the UN Framework

including emerging countries, shall reduce their emissions in order to limit global warming by less than 2°C compared to preindustrial levels by the latter half of this

UN Global Compact (UNGC)

A worldwide framework for achieving sustainable growth by having member companies recognize universal values in relation to issues such as human rights, labor, environment, and corruption

Assessments of Daikin, Stakeholder Dialogue

ESG assessment

> Honors for Daikin (Page 647)

Dialogue with stakeholders

> Stakeholder Engagement (Page 493)

3



Values provided to society by Daikin

Daikin's Aims for Value Creation

Provide new value that makes people and space healthier and more comfortable while at the same time reducing environmental impact.



Value Creation for the Earth

Reduce environmental impact through all business activities and contribute to alleviating climate change

- Further raise the environmental performance of products
- Make effective use of resources
- Protect forests and help sustain their inherent functions

Work toward sustainable development goals (SDGs)





Value Creation for Cities

Contributing to solving energy-related issues arising from urbanization and contribute to the creation of sustainable cities

- Effectively use energy throughout entire buildings and entire cities
- Build systems for recycling-based societies
- Create new types of energy

Work toward sustainable development goals (SDGs)





Value Creation for People

Pursue new possibilities for air and contribute to healthy, comfortable lifestyles

- Provide safe and reliable air environments
- Improve indoor environments to support people's healthy and comfortable lifestyles
- Raise productivity to contribute to economic advancement

Work toward sustainable development goals (SDGs)



Foundation Underpinning Value Creation

Human Resources

Contribute to the growth of employees and local citizens

- Training of highly skilled personnel
- Job creation
- Contribution to local economic development

Work toward sustainable development goals



Co-creation (partnerships)

Contribute to solving social issues through industry-government-academia partnerships

- Formation of market value (international rules and standards)
- Creation of new solutions that contribute to improved quality of life

Work toward sustainable development goals (SDGs)

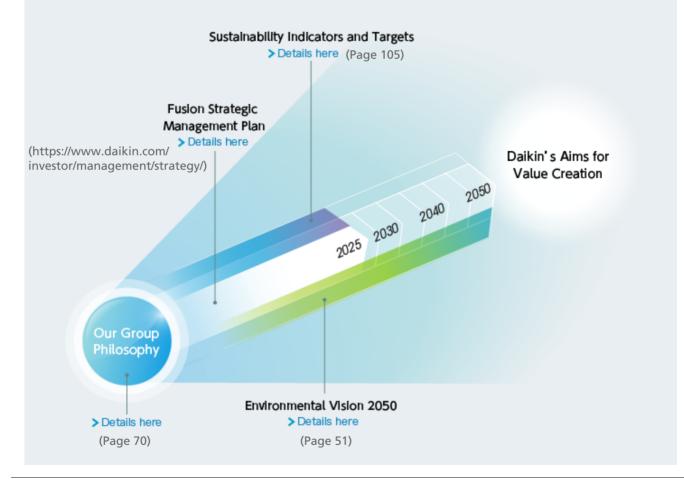


> Daikin's Aims for Value Creation (Page 41)

4

Daikin's actions toward a sustainable society

Based on Our Group Philosophy, which is the unifying force for our management, we create and implement proposals for Group action in five-year cycles under our Fusion strategic management plans. In fiscal 2018, we formulated Daikin Environmental Vision 2050 in order to contribute to solving increasingly serious global environmental problems over the long term. Based on this environmental vision, we set targets and implement measures under our Fusion strategic management plans with the goal of contributing to a sustainable society by taking on the world's problems through our business. In addition, we have established indicators and targets for the 10 sustainability themes for the entire Daikin Group to work toward.



Management Strategy and Sustainability

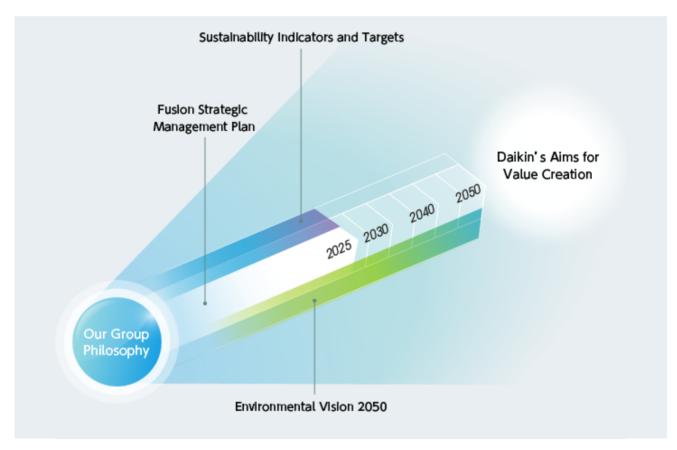
RELATIONSHIP BETWEEN SUSTAINABILITY AND MANAGEMENT STRATEGY

Daikin engages in management from both short- to medium term and long-term perspectives in order to create new value aimed at resolving social issues and for sustainable development.

Daikin has formulated the sustainability indicators and targets based on evaluation of its business' impact on society in the short- to medium-term, and the Environmental Vision 2050 based on prediction and identification of its unique long-term risks and opportunities.

The company conducts planning and execution of specific targets and policies every five years based on its strategic management plan, Fusion.

Daikin's Sustainability for Fiscal 2050



Group Management Philosophy

Basic philosophy on management that forms the basis of thinking and action for all employees.

- 1. Create New Value by Anticipating the Future Needs of Customers
- 2. Contribute to Society with World-Leading Technologies
- 3. Realize Future Dreams by Maximizing Corporate Value
- 4. Think and Act Globally
- 5. Be a Flexible and Dynamic Group
- 6. Be a Company that Leads in Applying Environmentally Friendly Practices
- 7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust
- 8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group
- 9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System
- 10. An Atmosphere of Freedom, Boldness, and "Best Practice, Our Way"

> OUR GROUP PHILOSOPHY (ABOUT DAIKIN) 🗖 (https://www.daikin.com/corporate/overview/philosophy/)

Sustainability Indicators and Targets

10 Key Sustainability Themes

We have established and are moving ahead with the indicators and targets for five value provision themes and five foundational themes.



- > Sustainability Targets and Results (Page 105)
- Sustainability Targets and Results 📩 (55KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/company/Sustainability_Action_Plan-pdf.pdf)

Strategic Management Plan Fusion 25

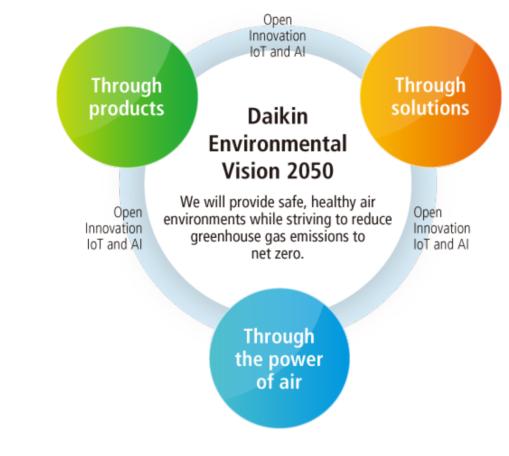
Daikin's strategic management plan established with directions for the Group's growth in five years based on the management philosophy and awareness of current conditions.



> FUSION25 🔲 (https://www.daikin.com/investor/management/strategy/fusion25/)

Environmental Vision 2050

Long term goal formulated with the aim of achieving net-zero greenhouse gas emissions by 2050 in support of the Paris Agreement.



> Long-Term Outlook Policy (Environmental Vision 2050) (Page 51)

Value Creation Daikin Strives For

Provide new value to deliver health and comfort to people and spaces while reducing environmental impacts.

Value Creation for the Earth

Reduce environmental impact through all business activities and contribute to alleviating climate change

Value Creation for Cities

Contributing to solving energy-related issues arising from urbanization and contribute to the creation of sustainable cities

Value Creation for **People**

Pursue new possibilities for air and contribute to healthy, comfortable lifestyles

- > Daikin's Aims for Value Creation (Page 41)
- > Daikin's Priority SDGs (Page 47)

Management Strategy and Sustainability

SOCIAL ISSUES AND BUSINESS CHARACTERISTICS

We analyzed risks and opportunities based on the characteristics of our own business operations, the impacts caused by our business activities, and market forecasts.

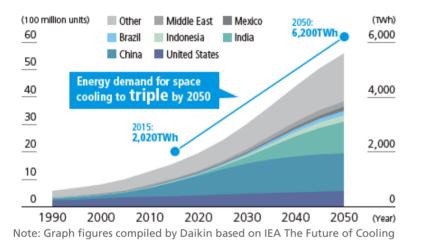
In turn, we identified key sustainability themes, among which was response to climate change, and we are now working to realize a sustainable society by addressing these themes.

Analysis of Business Characteristics and Risks/Opportunities

Factoring in Impacts in the Value Chain and Business Environment

Analysis of Business Environment

The International Energy Agency (IEA) predicts that demand for space cooling will increase sharply by 2050, which will triple worldwide electricity demand for space cooling.



Worldwide air conditioner stock (number of units) and electricity demand

In addition to demand for space cooling, there is growing interest around the world in indoor air quality due to the COVID-19 pandemic.

Results of Survey on Air Quality at Home

Has the COVID-19 pandemic affected awareness of air quality within the home?

- Yes, I feel more aware Yes, I'm more aware/worry more
- Yes, I'm more aware/take steps to improve it
- No, I don't feel any more aware/worry any more

Overall	36%		1	24%		1%	21%	
Japan	19% 26%			14%		41%		
United States	33%		24	4% 15%		27%		6
China	46%			25%		24	%	6%
Indonesia	55%				14%	23%	6	8%
Thailand	38%			31%		19%		12%
Brazil	39%			24%		21%		15%

Source: Compiled by Daikin based on Sunstar Global Healthy Thinking Report 2021.

Evaluating impact from the value chain

We evaluated the impact our business has on society across the value chain and identified initiatives of high priority.

Value chain	Procurement	Development, Design	Manufacturing	Sales, Transportation, Installation	Usage	After-sales Service, Recovery, Recycling	Business Activity Foundation	Relationship with Society
Impacts of our business and expectations of Datkin	Throughout our sepply chain: + Respond to various procusament fals involving quality control, Laber professory and environmental protection	 Contribute to R&D that strikes a balance between growing air conditioning 	At our production bases: • Increase production efficiency while increasing manufacturing quality • Mitgate environmental impacts	At our distributions : • Martet products with a lower environmental impact • Provide training on instaliation and maintenance techniques	At our cubio mess: • Raduo COr ambola ns ton alexitity consumption • Prevent heastshold and Include productive with air contribution fig • Provid a state and reliable air environment using wimitation, air purification, and literation	At maintenance provident: + Provide high quality > the saids services + Recycle at conditioners + Arlies at logation + Arlies at subgest rectarization, and destruction)	For sustainable growth: • Fodar ha man resources • Compliance • Stangthere governance and fisk management	For go wing together with society, • Collaborate with cliverse statistications, including governments, interational forga tractories, indextry and academia, NPOs and NGOs, logerts, and local communities
Efforts of signtficant materiality = Enicemanial = Smit = Commune	 Response to climate charge Supply chain management Respect for human rights 	 Response to climate change Prevent air and water pollutio Provide safe and reliable air e Increase the valued-added na Orable Innovation through co 	environments sture of air	 Respanse to climate change Quality and cestomer satisfaction Anti-correption 	Respanse to climate change Provent air and water poliation Quality and cestomer satisfaction Information security	 Response to climate change Response to resource metyding Quality and cestomer satisfaction 	 Haman resource development Corporate governance Risk management Respect for human rights 	Fasponse to climate change Create Innovation through co-creation Stakeholder engagement Communities
Greenhouse Gas Emissions*	4.05 million tono-COs	1.16mile	n tana-00x	(0.037 militar tana-cos)	280.08 million tono-COs	48.58 million tons-C0:		
" The Aguess on this page supresent the total for the group in fixed 2021. Aguess is () are for Darkin technism, tid, only,			Usage is the largest sou	urce of CO2 emissions				

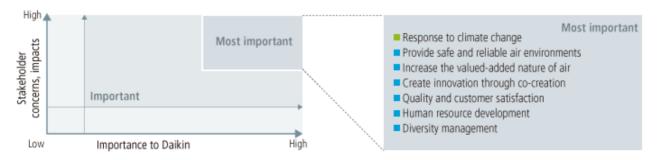
Enlarge figure 1 (85KB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/ company/images/social_issue/social_issue_img_03-pdf.pdf)

> Process for Identifying Key Sustainability Themes (Page 96)

Impact Assessment for Daikin and Society

Our CSR Committee identified the highest priority themes for both Daikin and society after evaluating the impacts our business has on society and narrowing the range of important initiatives.

Materiality analysis



Identification of Key Sustainability Themes

Emphasis Placed on Climate Change

We reviewed key sustainability themes at the time of formulating the Fusion 25 Strategic Management Plan and identified the following seven as top priorities shown in the above figure at right. Climate change is a theme of particular emphasis.

The rapid increase in demand for space cooling predicted mainly in emerging countries represents a major opportunity for Daikin because its core business is air conditioning. The spread of air conditioning is one way to adapt to climate change and it also responds to the need for air purification which increased during the COVID-19 pandemic. However, risks include rising electricity consumption and greenhouse gas emissions from the use of air conditioning. Currently, air conditioning accounts for around 10% of the world's electricity consumption. With rapid increase in demand in the future, the impacts are expected to become larger.

Given this, Daikin's mission is to address society's needs for air in the future and to help reduce society's carbon footprint. With our long-term vision to achieve net zero greenhouse gas emissions, we are promoting efforts under the key themes of the Fusion 25 Strategic Management Plan.

Management Strategy and Sustainability

DAIKIN'S AIMS FOR VALUE CREATION

Our modern world is undergoing constant change that is bringing about problems like poverty, inequality, and climate change. To mount a global effort toward solving these problems, in September 2015 the United Nations adopted "Transforming our world: the 2030 Agenda for Sustainable Development" and established the Sustainable Development Goals (SDGs).

The Daikin Group aims to contribute to the realization of the SDGs by identifying three themes: the Earth, cities, and people. Our aim is to use our world-class technologies to reduce environmental impact while at the same time providing new value in the form of a healthy, comfortable way of living.

Value Creation for the Earth

Helping mitigate climate change by reducing environmental impact through business activities

With global warming causing increasingly frequent occurrences of abnormal weather, the effects are being felt not just as changes in the natural environment but also as the spread of infectious diseases and other threats to human health. The rise in atmospheric temperature, economic advancement, and population growth around the world are fueling a constantly increasing demand for air conditioners. This is leading to fears that large amounts of electricity consumption and refrigerant leakage will accelerate global warming.

As a global air conditioner manufacturer, the Daikin Group is working to decrease greenhouse gas emissions through the dissemination of inverter air conditioners and low-global-warming-potential refrigerants. In addition, we are utilizing our fluorochemical technologies and developing and providing new materials that contribute to the use and spread of renewable energy.



Initiatives

- > Developing and Promoting Products and Services That Reduce Environmental Impact (Page 165)
- > Low Environmental Impact Refrigerants (Page 175)
- > Feature of Fiscal 2021: Challenge to Achieve Carbon Neutrality 🖶 (1.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2021-environment-pdf.pdf)

Feature of Fiscal 2019: Launched New Refrigerant Service in Europe Contributing to a Circular Economy
(2.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2019-environment-pdf.pdf)

Feature of Fiscal 2017: Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating 1 (0.7MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2017-customer-pdf.pdf)

Value Creation for Cities

Contributing to the creation of sustainable cities by solving energy-related issues arising from urbanization

Economic and population growth in emerging countries are causing rapid urbanization. The number of megacities with populations exceeding 1 million is on the rise, and these cities will require increasing amounts of energy. And with rising atmospheric temperatures, they will also require air conditioners to provide residents with comfortable living environments.

Meanwhile, in the industrialized countries, where populations continue to drop, workers increasingly require comfortable spaces where they can do their jobs easily and productively.

The Daikin Group provides air conditioners that create environments to meet the needs of people in both emerging and industrialized countries. Furthermore, we are working on realizing zero-energy buildings, which use renewable energy sources in order to effectively achieve zero net energy consumption, and utilizing ICT technologies, which promote energy efficiency through comfortable air conditioner operation throughout an entire town. The goal is to realize livable cities that achieve comfort and energy efficiency through citywide air conditioner control.



Initiatives

- > Providing Solutions (Page 199)
- ➤ Feature of Fiscal 2020: Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services (0.4MB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/ feature2020-newvaluecreation-pdf.pdf)
- ➤ Feature of Fiscal 2016: Contributing to the Realization of Net Zero Energy Buildings through Optimally Controlled Air Conditioning Systems ¹/₂ (0.3MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2016-environment-pdf.pdf)

Value Creation for People

Contributing to healthy and comfortable lifestyles by expanding the possibilities of air

With economic development come rapid industrialization, exploding population growth in cities, and ballooning traffic volume—all of which contribute to more hazardous chemicals in the atmosphere. This gives rise to numerous problems that we must tackle in our living air environment, such as negative effects on our health.

The Daikin Group believes that an effective way to reduce air pollution is to place filters on factories and other facilities that give off emissions containing hazardous chemicals. We also strive to bring the world healthy, vibrant indoor environments that offer peace of mind, by giving added value to air, so that it helps people work more productively in offices and get quality sleep at home.



Initiatives

- > Collaborative Innovation Led by Industry-Government-Academia Partnerships (Page 370)
- > Collaborative Innovation Led by Industry-Industry Partnerships (Page 385)
- Feature of Fiscal 2021: Creating an Environment Conducive to Napping for Greater Vitality (0.5MB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/ feature2021-valuewithair-pdf.pdf)
- > Feature of Fiscal 2020: Quickly Providing Air Purification Solutions as a Company that Provides

Solutions with Air 🔁 (0.5MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2020-customer-pdf.pdf)

➤ Feature of Fiscal 2019: Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation 1 (2.3MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2019-newvaluecreation-pdf.pdf)

➤ Feature of Fiscal 2018: Creating Air Environments for Increasing Intellectual Productivity with Air Conditioning Solutions Using IoT and AI (0.7MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2018-newvaluecreation-pdf.pdf)

Feature of Fiscal 2017: Reducing Fatigue and Realizing Pleasant Air Environments through Open Innovation
(1.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2017-newvaluecreation-pdf.pdf)

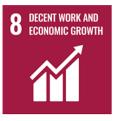
➤ Feature of Fiscal 2016: Creating Spaces That Meet the Needs of Society by Integrating Technologies of Air Conditioning and Filter with Engineering Prowess ¹ (0.6MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2016-newvaluecreation-pdf.pdf)

Foundation Underpinning Value Creation

Contribute to the growth of employees and local citizens

Focus on fostering highly skilled human resources, creating employment, and contributing to the economic development of local communities.



Initiatives

➤ Feature of Fiscal 2020: Enhancing Manufacturing Around the World by Training the Next Generation of Plant Operators (0.6MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2020-human-pdf.pdf)

Feature of Fiscal 2019: Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation
(2.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2019-human-pdf.pdf)

Feature of Fiscal 2018: Global Product Development Structure to Quickly Address Various Regional Needs 1.3MB

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2018-customer-pdf.pdf)

➤ Feature of Fiscal 2018: Developing Human Resources to Promote the Spread of Air Conditioners in theRapidly Growing Market of Vietnam ¹/₂ (0.8MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2018-human-pdf.pdf)

Feature of Fiscal 2017: Human Resource Development in the U.S.—Growing with Local Communities (1.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2017-human-pdf.pdf)

➤ Feature of Fiscal 2016: Supporting the Training of Engineers in Emerging Countries through Industry-Government-Academia Collaboration 1 (0.5MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2016-human-pdf.pdf)

Contribute to solving social issues through industry-government-academia partnerships

Strive to create new solutions that will contribute to the enhanced lifestyles and formation of market value through developing international rules and standards.



Initiatives

- > Feature of Fiscal 2021: Creating an Environment Conducive to Napping for Greater Vitality
 (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/
 feature2021-valuewithair-pdf.pdf)
- > Feature of Fiscal 2020: Creating Standards for a Decarbonized Society Alongside Stakeholders 1 (0.9MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2020-environment-pdf.pdf)

➤ Feature of Fiscal 2018: Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies
¹ (1.3MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2018-environment-pdf.pdf)

Management Strategy and Sustainability DAIKIN'S PRIORITY SDGS

SDGs Daikin is contributing to through its businesses

The Sustainable Development Goals (SDGs) adopted in 2015 comprise 17 goals aimed at resolving the world's challenges. Through its businesses, Daikin will focus on a total of eight out of the 17 SDGs to which it can make a great contribution, taking advantage of its strengths. We will contribute to a sustainable society by creating new value in making people and spaces healthy and comfortable, while reducing environmental and climate impacts.

Related Information

> Daikin's Aims for Value Creation (Page 41)



- Protect people from heatstroke and infectious diseases
- Countermeasures for atmospheric pollution



- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants
- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy



- Training of highly skilled personnel
- Job creation
- · Contribution to local economic development



- Initiatives for net zero emission buildings (ZEB)
- Promotion of energy management and demand response



- Initiatives for net zero emission buildings (ZEB)
- Promotion of energy management and demand response
- · Creation of value in air and spaces for people's physical and mental wellbeing



- Initiatives for energy efficiency, recycling-oriented, and lower resource production
- Refrigerant conversion in the market along with recovery, reclamation, and destruction
- Contribution to increased productivity by liberation from heat and cold



- Increased energy efficiency from the adoption of inverter air conditioners, etc.
- Development and adoption of lower GWP refrigerants
- Adoption of heat pump space and water heating
- Utilization and adoption of renewable energy



- Formation of market value (international rules and standards)
- Creation of new solutions that contribute to improved quality of life

Sustainable Development Goals: SDGs



1. No poverty End poverty in all its forms everywhere



2. Zero hunger End hunger, achieve food security and improved nutrition and promote

sustainable agriculture



3. Good health and wellbeing

Ensure healthy lives and promote well-being for all at all age



4. Quality education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



5. Gender equality

Achieve gender equality and empower all women and girls



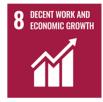
6. Clean water and sanitation

Ensure availability and sustainable management of water and sanitation for all



7. Affordable and clean energy

Ensure access to affordable, reliable, sustainable and modern energy for all



8. Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



9. Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



10. Reduced inequalities Reduce inequality within and among countries



11. Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable



12. Responsible consumption and production

Ensure sustainable consumption and production patterns



13. Climate action

Take urgent action to combat climate change and its impacts



14. Life below water

Conserve and sustainably use the oceans, seas and marine resources for sustainable development



15. Life on land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



16. Peace, justice and strong institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



17. Partnerships for the goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development

Management Strategy and Sustainability

LONG-TERM OUTLOOK POLICY (ENVIRONMENTAL VISION 2050)

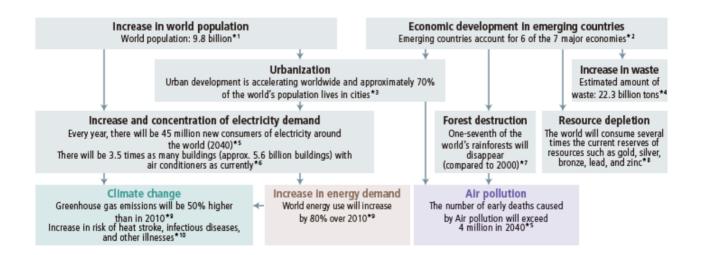
Adopted in 2015, the Paris Agreement contains a target for the latter half of this century of reducing greenhouse gas emissions to net zero and limiting global warming by less than 2°C compared to pre-industrial levels. In the spirit of the Paris Agreement, Daikin has formulated Environmental Vision 2050, with a target of reducing greenhouse gas emissions to net zero by 2050. We have established a reduction target for 2030 and incorporated this into our efforts under the Fusion 25 Strategic Management Plan.

Formulation of Environmental Vision 2050

Looking long term, we have predicted how society will change by 2050 and have made a list of the risks and opportunities for Daikin's business. Based on this, we have set a direction we must take in using our resources to solve environmental problems.

Forecast of Society in Which Daikin Will Operate in 2050

Based on the relationship between Daikin's business and the global environment, we came up with a longterm environmental to-do list that takes into account what the world will be like for Daikin's business in 2050 judging by current social scenarios.



Daikin referred to the following reports when making its forecasts

- *1 World Population Prospects: The 2017 Revision, by the United Nations
- *2 The World in 2050, by PwC
- *3 World Urbanization Prospects: The 2018 Revision, by the United Nations
- *4 Estimates and Forecasts for the World's Waste Generation, by the RISWME
- *5 World Energy Outlook 2017, by the International Energy Agency (IEA)
- *6 The Future of Cooling, by the International Energy Agency (IEA)
- *7 The Future of Forests: Emissions from Tropical Deforestation with and without a Carbon Price, 2016-2050, by the Center for Global Development (CGD)
- *8 The Problem of Worldwide Resource Restrictions by 2050, by the National Institute for Materials Science (NIMS)
- *9 OECD Environmental Outlook to 2050, by the Organization for Economic Cooperation and Development (OECD)
- *10 Quantitative risk assessment of the effects of climate change on selected causes of death, 2030s and 2050s, by the World Health Organization (WHO)

How Daikin Should Proceed Based on Risks and Opportunities

Daikin came up with business risks and opportunities in relation to the environmental problems specified above.

We determined how we should proceed in order to solve these problems based on the company's resources.

Environmental Problems and Business Risks and Opportunities	Climate change •Requests from society to reduce some of the vast amount of greenhouse gas emissions caused by using products •Stricter restrictions on existing refrigerants and gas-combustion heating	Increase in energy demand • Stricter energy restrictions and higher expectations for energy-efficient products • The electricity supply-demand balance will be disturbed, which will hinder the stable supply of electricity	Air pollution Greater range of needs regarding air quality	
Daikin's Resources	Technology Informati	on People	Global Relationship network with society	
How Daikin Should Proceed	Creation of products and services with high environmental performance	Creation of environmental solutions	Creation of air value	
Fusion 20 Themes	 Promotion of energy efficiency through inverter and other technologies Adoption of R-32 and other refrigerants with lower global warming potential, development of next-generation refrigerants, adoption of heat-pump heaters Materials development, reduction of environmental impact throughout entire lifecycle from material procurement to disposal and recycling 	 Use of energy management to achieve optimal operation through a system that integrates air conditioners and their peripheral equipment, buildings, and renewable energy Recovery and recycling of refrigerants in use on the market 	 Engineering of air environments that protect people's health from air pollutants such as PM2.5 and VOCs Pursuit of value added in air through, for example, office environments conducive to high productivity and home environments that improve the quality of sleep 	

Environmental Vision 2050

We will reduce the greenhouse gas emissions generated throughout the entire lifecycle of our products.

Furthermore, we are committed to creating solutions that link society and customers as we work with stakeholders to reduce greenhouse gas emissions to net zero.

Using IoT and AI, and open innovation attempts, we will meet the world's needs for air solutions by providing safe and healthy air environments while at the same time contributing to solving global environmental problems.



Growth Strategy Based on Risks and Opportunities

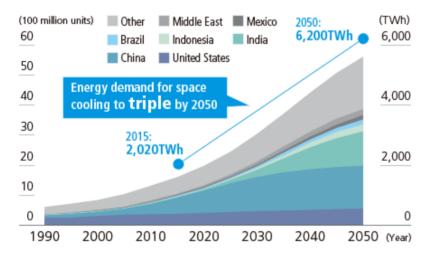
Future predictions about the sharp increase in demand for space cooling represent an important opportunity for us because air conditioning is our core business. At the same time, the increase in electricity consumption and greenhouse gas emissions attributed to air conditioning represents a major risk to the continuity of the air conditioning business in a society that demands de-carbonization because climate change is a worldwide issue.

Therefore, in addition to mitigating environmental and climate change impacts by curtailing electricity consumption and preventing refrigerant leakage, we will develop and spread higher energy-efficient air conditioners and refrigerants with a lower global warming potential. Daikin will also create new environmental solutions, such as the efficient utilization of energy tied to buildings. This will enable us to balance contributions to social issues including climate change with the further growth of our businesses.

IEA The Future of Cooling Forecast

In May 2018, the International Energy Agency (IEA) released The Future of Cooling. The report looks at air conditioning and how the rise in its use is driving global energy demand.

According to The Future of Cooling, estimates are for air conditioning demand to rise rapidly and for energy demand for space cooling to triple by 2050.

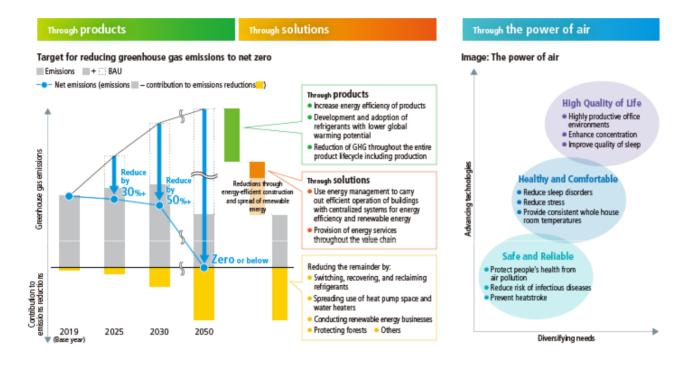


Worldwide Air Conditioner Stock (Number of Units) and Electricity Demand

Note: Graph figures compiled by Daikin based on IEA The Future of Cooling

Medium- to Long-Term Strategy toward Achieving Environmental Vision 2050

Daikin has established a greenhouse gas emissions reduction target after analyzing the future of its business operations in order to reduce these emissions to net zero while bringing the added value nature of air to people around the world. With the base year set at 2019, we aim to reduce greenhouse gas emissions by 30% or more in 2025 and by 50% or more in 2030 compared with emissions without measures (business as usual (BAU)). Measures to achieve these goals will be implemented under Fusion Strategic Management Plans.



Initiatives in the Medium-Term Management Plan for Achieving Environmental Vision 2050

The three themes of the growth strategy for achieving our environmental vision have been incorporated into the nine key themes of the Fusion 25 Strategic Management Plan. We will now implement this plan aiming to strike a balance between resolving social issues and business growth.

Fusion 25

Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

Through products

Challenge to Achieve Carbon Neutrality

- Reduce emissions of energy-induced CO₂ and HFCs/PFCs in development and production processes
- Global acceleration of conversion to inverter units to lead other companies with environmental products (energy-saving equipment)
- Positioning Europe and North America as the priority regions to accelerate conversion of combustion heaters to heat pump space and water heaters
- Various measures connecting to refrigerant-induced CO₂ emissions reductions to lead the environmentally conscious society and industry
- Initiatives toward market expansion and CO₂ reduction contributions
- Research on leading-edge technologies on CO₂ decomposition, recovery, and reuse specific measures to obtain those technologies

Through solutions

Promotion of Solutions Business Connected with Customers

- Solutions for service/inspections, value-added proposals during equipment operation, and retrofits/replacements to establish a business model that provides customers with experiences
- Global business expansion by deploying energy-saving and environmental technologies Daikin has cultivated in the AC domain

Through the power of air

Creating Value with Air

- Market creation from opportunities presented by growing IAQ/Ventilation demand. Creation of new products and services to establish a large-scale IAQ/Ventilation business
- Accumulating and analyzing air conditioning data and vital data to create value with IAQ/AE for people's
 physical and mental well-being

Management Strategy and Sustainability

INFORMATION DISCLOSURE BASED ON THE TCFD FRAMEWORK

For Daikin, climate change represents one important issue affecting its business continuity. In May 2019, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD),^{*} which aims to mitigate the risk of instability in financial markets caused by climate change. We reflect the risks and opportunities posed by climate change in management strategy and risk management. At the same time, we will disclose progress appropriately and aim for further growth while contributing to a carbon-free society.

* TCFD was established in 2015 by the Financial Stability Board. It recommends that companies disclose information about the financial impacts of climate change after evaluating related business risks and opportunities.

Governance

The organization's governance around climate-related risks and opportunities

The Daikin Group's mainstay product of air conditioners is characterized by the large amount of CO_2 emissions caused by energy consumption during use. In addition, fluorocarbons used as refrigerants for air conditioners have an effect on climate change. Recognizing the major impact on climate change attributed to our business activities, we believe climate change is an issue that largely affects our medium- to long-term business risks and opportunities.

Based on this, climate change issues are considered an important task to address in order for Daikin to develop sustainably and fulfill its social responsibilities; thus, they are managed by the CSR Committee. The CSR Committee was established by the Board of Directors to spearhead the company's corporate governance. The executive officer in charge of CSR serves as the chairman of the committee, which deliberates on risks and opportunities, policy on initiatives, and targets related to climate change, as well as monitors results and progress of initiatives, in addition to making proposals to the President and CEO, followed by reporting to the Board of Directors.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

We have formulated strategies based on analysis of climate-related scenarios in *The Future of Cooling* published by the International Energy Agency in 2018, etc.

Demand for air conditioning is expected to triple from current levels by 2050. As demand increases, there is a possibility that each country will tighten their energy regulations on air conditioners and regulations to address refrigerants with a high global warming potential. Excessively strict regulations could pose a risk for Daikin. On the other hand, appropriate regulations can serve as an opportunity to expand our business as they push for the spread of products and services with greater environmental performance, which are our strength. The popularization of our products and services with excellent environmental performance in emerging countries with particular growth in demand for air conditioning is considered an effective measure to reduce greenhouse gas emissions resulting from air conditioners and contribute to our business growth. For this reason, we have reflected this in business strategies.

We established Environmental Vision 2050 for the final three-year plan of Fusion 20 Strategic Management Plan. Specifically, by expanding environmentally conscious products and services, we aim to achieve net zero greenhouse gas emissions throughout the entire lifecycle from our own business operations by 2050. The targets and measures for 2030 aimed at realizing this goal have been laid out in Fusion 25 Strategic Management Plan.

Details of scenario analysis

Scenarios referenced

- IEA Sustainable Development Scenario
- IEA Base line Scenario, Current Policies Scenario
- IEA The Future of Cooling
- IEEJ Reference Scenario

4-degree scenario with current policies unchanged

- The number of regions requiring air conditioning for day-to-day living will increase due to higher summer temperatures. In addition, as winter temperatures rise, the number of areas suitable for heat pump heating with an outside temperature of about -20 degrees or higher will increase.
- Demand for air conditioners will approximately double by 2030 and roughly triple by 2050.
- Demand for air conditioners in non-OECD countries will increase five-fold from 2016 to 2030, but power generation will only increase by 2.4-fold. (Worldwide power generation will increase 1.4-fold compared the 1.9-fold increase in air conditioner demand.)

2-degree scenario with stricter regulations in each country from decarbonization policy

- The progress of reducing use of refrigerants under the Montreal Protocol will be strictly managed and regulations could be tightened if the effectiveness is deemed insufficient.
- In addition, countries that today do not have strong regulations will adopt strict energy conservation policies

2-degree and 4-degree scenario

As temperatures rise, the intensity and frequency of extreme weather will increase, which could increase instances of production shutdowns or postponements due to damages to our own plants or those of suppliers.

Risk Management

Process for identifying, assessing and managing climate-related risks

Risks and opportunities related to climate change can originate from the transition toward a decarbonized society, including stricter regulations, technology advancement, and market shift, as well as from physical influences, such as acute abnormal weather and chronic temperature increases. We have categorized the various external environmental changes accompanying climate change as "transition risks" and "physical risks," assessed their financial impacts as large, medium, and small, and identified important risks and opportunities.

Every year our business sites around the world identify physical climate-related risks as part of operational risks. After material risks are identified by the Corporate Ethics and Risk Management Committee, we examine action policies and response measures.

Product environmental meetings identify transition-based climate-related risks and opportunities at the time medium-term management plans are formulated and reviewed. After material risks and opportunities are identified by the CSR Committee, we examine initiatives and response measures. The initiatives and response measures for identified risks and opportunities are incorporated into the medium-term management plan and implemented by each business department.

Moreover, climate-related risks are integrated into the company-wide management process as they are considered to exert large influence on our business strategies. The management status of company-wide risks is monitored by the Internal Control Committee chaired by the President and CEO and reported to the Board of Directors.

Climate Related Risks and Opportunities and Potential Impacts

Category		Impact on Daikin's business	Probability ofoccurrence	Potential financial impacts
Risks		Stricter regulations on refrigerants If regulations on refrigerants become too strict, there is a possibility that existing air conditioners no longer compliant with these regulations will become obsolete.	High	Large
	Transition	Tight supply and demand for electricity There is a possibility that the spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages.	High	Large
	Physical	Production delays due to water shortage Production bases located in areas of high water stress face the potential risk of disruptions in production due to the shortage of water necessary for production processes.	Medium	Medium

Category		Impact on Daikin's business	Probability ofoccurrence	Potential financial
Opportunities	Transition	Stricter regulations on refrigerants Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential, which is our strength	High	Large
		Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength	High	Large
		Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas-combustion heaters will be subject to them, there will be an increase in sales on growing demand for heat- pump heaters, which is our strength	High	Large

Identification, evaluation and management process of climate-related risks and opportunities

Information gathering

We gather information on climate-related risks and opportunities from business bases in each region around the world.

Identification of important risks and opportunities

Information gathered is evaluated, sorted, and analyzed from the two perspectives of degree of impact on business and likelihood of occurrence, and used to identify important climate-related risks and opportunities for our company.

Determination of policy and measures

We formulate policy on initiatives and proposals on measures for risks and opportunities for deliberation by the CSR Committee, followed by proposal to the President and CEO and reporting to the Board of Directors.

Integration into strategies and implementation

Policy on initiatives and measures is reflected in the medium-term management plan and implemented by each business division.

Management by the Internal Control System Climate-related risks are integrated in the company-wide risk management process. The Internal Control Committee chaired by the President and CEO monitors the management status of company-wide risks and reports to the Board of Directors.

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

We incorporate the greenhouse gas emissions reduction target based on Environmental Vision 2050 into the Fusion 25 Strategic Management Plan, as well as manage the progress of our environmental activities by setting metrics and targets related to climate change.

- 1. Scope 3: With the base year set at 2019, we plan to reduce net GHG emissions from our own business operations by 30% in 2025, 50% in 2030 and achieve net zero emissions in 2050, compared to a BAU scenario.
- 2. Scope 1 and 2: Reduce GHG emissions resulting from manufacturing activities of the entire Group by 40% in 2030 compared to 2015.

Related Information

- > Indicators and Targets at Production Sites (Page 143)
- > Long-Term Outlook Policy (Environmental Vision 2050) (Page 51)

PARTICIPATION IN THE GLOBAL COMPACT

Participation in the Global Compact

Building a System for Unified Group Action

Since 2008, Daikin has endorsed and participated in the Global Compact.

The Global Compact, proposed by former UN Secretary General Kofi Annan at the World Economic Forum in January 1999, encourages companies to act as good members of society and aim to realize sustainable growth. It also urges participating companies throughout the world to support and practice the Ten Principles in the four areas of human rights, labor, the environment and anti-corruption.

Based on the environmental philosophy of leading the way to an environmentally conscious society, Daikin is focused on resolving environmental issues through business. Further, the Group Conduct of Guidelines constituting the guideline for each group company's standards of conduct, reflects the spirit of the Global Compact in Group management by clarifying details related to respect for human rights, the elimination of forced and child labor, anti-corruption and other issues from the perspectives of thorough transparency, soundness and ethical business activities throughout the entire value chain.



Ten Principles of the UN Global Compact

Human Rights

- 1. Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2. make sure that they are not complicit in human rights abuses.

Labour Standards

- 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4. the elimination of all forms of forced and compulsory labour;
- 5. the effective abolition of child labour; and
- 6. the elimination of discrimination in respect of employment and occupation.

Environment

- 7. Businesses should support a precautionary approach to environmental challenges;
- 8. undertake initiatives to promote greater environmental responsibility; and
- 9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.



Sustainability Report

2022 -Web version-(As of November 2022)

CSR Management

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) CSR Philosophy (Page 69)

Daikin recognizes that implementing Our Group Philosophy and People-Centered Management will lead to sustainable growth and development.

> CSR Management Structure

(Page 93)

Daikin promotes CSR comprehensively and crossfunctionally across the entire Daikin Group. Process for Identifying Key Sustainability Themes

(Page 96)

Daikin reflects key sustainability themes it has identified into key themes (material issues of management) of its strategic management plans to define its efforts.



Daikin has established KPI for fiscal 2025 covering 10 key sustainability themes, which the entire Daikin Group is working toward.

CSR Management

CSR PHILOSOPHY

Basic Management Policy of the Daikin Group

Our Group Philosophy and People-Centered Management

Our Group Philosophy is the basis for all action aimed at becoming a corporate group that is trusted by customers worldwide, and that instills pride in Daikin employees around the globe. Daikin's People-Centered Management, meanwhile, is based on the belief that employee growth generates corporate growth and is implemented with the goal of creating a workplace where employees can use their talents to the fullest.

The Daikin Group believes that if both employees and company executives put Our Group Philosophy and People-Centered Management into practice, then we can achieve sustainable development and growth.

Corporate Policies 1. Absolute Credibility 2. Enterprising Management 3. Harmonious Personal Relations Our Group People-Centered Philosophy Management The cumulative The basis for the growth of all Group shared thoughts members serves as the and actions of foundation for the all employees Group's development

Our Group Philosophy

Our Group Philosophy

- 1. Create New Value by Anticipating the Future Needs of Customers
- 2. Contribute to Society with World-Leading Technologies
- 3. Realize Future Dreams by Maximizing Corporate Value
- 4. Think and Act Globally
- 5. Be a Flexible and Dynamic Group
- 6. Be a Company that Leads in Applying Environmentally Friendly Practices
- 7. With Our Relationship with Society in Mind, Take Action and Earn Society's Trust
- 8. The Pride and Enthusiasm of Each Employee Are the Driving Forces of Our Group
- 9. Be Recognized Worldwide by Optimally Managing the Organization and its Human Resources, under Our Fast & Flat Management System
- 10. An Atmosphere of Freedom, Boldness, and "Best Practice, Our Way"

> OUR GROUP PHILOSOPHY (ABOUT DAIKIN) 🗖 (https://www.daikin.com/corporate/overview/philosophy/)

How We View CSR

- 1. Through the strict implementation of Our Group Philosophy, the Daikin Group will fulfill its social responsibilities worldwide in all facets of relationships with stakeholders, thereby raising corporate value and contributing to the sustainable development of society.
- 2. Based upon thorough observance of legal compliance and corporate ethics, the Daikin Group will focus on contributing to society through its business activities. As a good corporate citizen, we will be highly sensitive to the needs of each world region in carrying out our social contribution activities.
- 3. We will incorporate CSR into business activities so that CSR and our business are integrally intertwined in an ongoing synergy that contributes to better business performance.
- 4. We will carry out CSR activities through open, two-way communication with society and always ensure that we are accountable for, and transparent in, our actions.

Key Sustainability Themes

When we formulated Fusion 25 in fiscal 2020, we revised the importance (materiality) of various efforts to the Daikin Group, and as a result came up with five value provision themes (the environment, value with air, customer satisfaction, human resources, and co-creation) as ways to carry out CSR for value provision.

We also established five themes fundamental to our business activities (corporate governance, respect for human rights, supply chain management, stakeholder engagement, and communities).

For key CSR themes up until fiscal 2020, see the following page.

> "History of CSR Activities" (CSR Management) (Page 94)

Group Conduct Guidelines

Daikin's Group Conduct Guidelines define the fundamental corporate ethics and compliance that each and every officer and employee of all Group companies around the world must follow in conducting businesses globally.

Each Group company globally then establishes their specific codes of conduct in accordance with the laws and customs of each country and region. In this manner, we comprehensively promote best practices in corporate ethics and compliance.

Note: The specific guidelines apply to Daikin Industries, Ltd. and its Group companies in Japan only.

1. Providing Safe, High Quality Products and Services

We shall make every effort to ensure the safety and quality of our products and services from the standpoint of our customers. Should a problem occur regarding safety, we shall immediately take appropriate action.

> Specific Guidelines 庄

(Page 75)

2. Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

> Specific Guidelines 🛨

(Page 76)

3. Observing Trade Control Laws

We shall not participate in any transactions that may undermine the maintenance of global peace and security and world order. We shall always act in compliance with all applicable export- and import-related laws and regulations of each country and region, as well as the Daikin Group Security Trade Control Policy, which relates to foreign trade control.

> Specific Guidelines 🖽

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4. Respect and Protection of Intellectual Property Rights

Recognizing that intellectual property rights are important company assets, we shall strive to protect and maintain our intellectual property rights and effectively utilize them. Furthermore, we shall respect and make every effort not to infringe upon the intellectual property rights of other companies.

> Specific Guidelines 庄

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5. Proper Management and Utilization of Information

We shall properly manage and effectively utilize the confidential information of our company, the confidential information obtained from other companies, and the personal information of our customers and employees and shall not obtain any information through improper means. We shall thoroughly execute IT security management for our computer systems and the data-resources saved on them.

> Specific Guidelines 🛨

(Page 79)

6. Prohibition of Insider Trading

To maintain the trust of the securities market, we shall not use non-public information about the Daikin Group or other companies to buy or sell stocks or other securities (insider trading).

> Specific Guidelines 🛨 (Page 81)

7. Timely and Appropriate Disclosure of Corporate Information

Aiming to be an "open company" with high transparency and earn the respect of society, we shall actively convey corporate information in a timely fashion not only to shareholders and investors but also to a wide spectrum of society, and engage in two-way communication.

Specific Guidelines (Page 82)

8. Preservation of the Global Environment

We shall observe all applicable environmental laws and regulations of each country and region and practice initiatives that preserve the global environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall deepen our knowledge of environmental issues, reduce the environmental load in the workplace and at home, and strive toward biodiversity conservation.

> Specific Guidelines 🖽

(Page 83)

9. Ensuring the Safety of Operations

We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

> Specific Guidelines 主 (Page 84)

10. Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

> Specific Guidelines 🛨

(Page 85)

11. Protection of Company Assets

We shall properly manage the tangible and intangible assets of our company to protect and utilize effectively these assets.

(Page 87)

12. Proper Handling of Accounting Procedures

We shall comply with all accounting standards and tax laws of each country and region as well as internal company rules in properly performing accounting procedures.

> Specific Guidelines 🛨 (Page 88)

13. Practicing Moderation in Entertainment and Gift Exchanges

We shall exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective country and region.

> Specific Guidelines 🖽

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14. Maintaining a Firm Attitude against Anti-social Activities

We shall take a firm attitude against anti-social force or organization that threatens the safety and order of the citizens of society.

> Specific Guidelines 🖽

(Page 90)

15. Relationship with Society

We aim to be a good corporate citizen that is trusted by society and we shall do our best to act with humility and modesty while at the same time having self-awareness and taking pride in our actions. Moreover, we shall participate in social contribution activities centered on environmental conservation, education support, and cooperation with the local community.

➤ Specific Guidelines

(Page 91)

16. Observing Each Category of Industry Law and Regulation

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

> Specific Guidelines 🛨 (Page 92)

1. PROVIDING SAFE, HIGH QUALITY PRODUCTS AND SERVICES

We shall make every effort to ensure the safety and quality of our products and services from the standpoint of our customers. Should a problem occur regarding safety, we shall immediately take appropriate action.

Specific Guidelines

1. Ensuring the safety of our products and services

- 1. We shall observe all applicable laws and safety standards in Japan and overseas related to the safety of our products and services.
- 2. We shall establish a quality management system and execute measures to maintain product safety and high quality assurance in all processes extending from product design to production, sales, and after sales service.
- 3. We shall display appropriate, easy-to-understand instructions and warnings on products and in instruction manuals to ensure the safe use of our products by our customers.
- 4. We shall rapidly ascertain information related to the safety and quality of products and services in the marketplace and implement appropriate measures from the standpoint of the customer. At the same time, we will provide accurate feedback to personnel within our company in order to offer products and services with even greater safety and high quality.
- 5. We shall provide outstanding products, systems, and services that fully satisfy and meet the needs of customers

2. Providing immediate and appropriate response to any problem relating to safety

- 1. We shall actively collect information from our customers concerning accidents involving Daikin products and quickly report this information to our executive management while providing customers with suitable information.
- 2. In the unlikely event of a safety problem occurring in the use our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, announcing the problem through the appropriate media channels, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales personnel, will be informed of the situation.

2. FREE COMPETITION AND FAIR TRADING

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

Specific Guidelines

1. Observance of the Anti-Monopoly Act

- 1. To ensure free competition, we shall not enter into agreements with our competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anti-competitive action.
- 2. In the case of tendered bids and quotations, we shall not enter into any agreements with our competitors to predetermine bid price or bid recipient.
- 3. We shall not set the resale prices of Daikin products sold by dealers, nor shall we set the listed price in promotional campaigns or in retail stores.
- 4. We shall not unfairly inhibit our dealers from selling other companies' products, nor shall we restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.

2. Observance of Act against Unjustifiable Premiums and Misleading Representations

- 1. When indicating quality, performance, place or origin, terms and conditions and other matters related to our products and services, we shall use accurate and appropriate expressions to ensure that our products and services are not misrepresented to our customers.
- 2. Any and all premiums (giveaways, discounts, etc.) given in connection with our sales transactions shall fully comply with the Act against Unjustifiable Premiums and Misleading Representations.

3. Strict Observance of Procurement Rules and the Subcontract Act

- 1. When selecting suppliers, we shall widely open our door to companies worldwide to provide fair and equal business opportunities. In addition, we shall grow together with our suppliers, maintaining friendly yet tense competitive relations so that we can develop our business together with our suppliers.
- 2. We shall promote the understanding and cooperation of our suppliers in our Group to strive together in legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.
- 3. We shall strictly observe the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in regard to transactions with our suppliers as we follow sound business and work to protect our business partners.

3. OBSERVING TRADE CONTROL LAWS

We shall not participate in any transactions that may undermine the maintenance of global peace and security and world order. We shall always act in compliance with all applicable export- and import-related laws and regulations of each country and region, as well as the Daikin Group Security Trade Control Policy, which relates to foreign trade control.

Specific Guidelines

1. Ensuring thorough Security Export Control

- We shall observe the Security Export Control Regulations and U.S. overseas application of the U.S. Export Administration Regulations governing trade laws from a standpoint of support for nonproliferation of weapons of mass destruction, deterrence to the excessive buildup of conventional weapons, and absolute avoidance of any possible involvement in or assistance to terrorist activities.
- 2. We shall sufficiently verify the user and intended use of transactions involving exports by being attentive to the international situation and not engage in any trade that conflicts with our social responsibility as a global company.
- 3. We shall draft and observe regulations within the company (compliance program) relating to Security Export Control based on the Group trade control policy.

2. Observing trade control laws and regulations

We shall observe all related laws and regulations not covered in the above-mentioned Security Trade Control that concern the importing or exporting of products, including the Foreign Exchange and Foreign Trade Control Law and the Customs Law.

4. RESPECT AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Recognizing that intellectual property rights are important company assets, we shall strive to protect and maintain our intellectual property rights and effectively utilize them. Furthermore, we shall respect, and make every effort not to infringe upon, the intellectual property rights of other companies.

Specific Guidelines

- 1. Acquiring, protecting, and utilizing intellectual property rights
 - 1. Recognizing that intellectual property is an important company asset and a strength of the Daikin Group, we shall properly maintain, manage, and protect our intellectual property rights while utilizing them effectively.
 - 2. Being conscious that our company products and technology are globally developed, we shall actively acquire intellectual property rights worldwide, such as patents that are results of advanced, creative research and development, and endeavor to protect our intellectual property rights through the entire global Group.
 - 3. We shall assemble information concerning intellectual property rights generated from all Group companies, including overseas companies, as we strive to fully understand and utilize intellectual property rights management as a Group.
 - 4. We shall appropriately execute our rights in regards to infringement by third parties.

2. Respecting the intellectual property rights of other companies

- 1. When developing new products and technology, we shall confirm from a global standpoint that we are not infringing on the intellectual property rights of others.
- 2. In the legal licensing of intellectual property rights from other companies, we shall observe the scope of use specified in the contract when using those property rights.

3. Prohibiting the copying of other companies' products

In the interests of fair competition, we shall not imitate the products of any other companies during the development, manufacture, or sale of our products.

5. PROPER MANAGEMENT AND UTILIZATION OF INFORMATION

We shall properly manage and effectively utilize the confidential information of our company, the confidential information obtained from other companies, and the personal information of our customers and employees, and we shall not obtain any information through improper means. We shall thoroughly execute IT security management for our computer systems and the data-resources saved on them.

Specific Guidelines

1. Properly managing and utilizing confidential information

- 1. We shall properly manage and utilize the confidential information of our company by defining and indicating confidential information, limiting access to it, and enacting security measures to prevent the leaks of confidential information outside the company.
- 2. Should the disclosure of confidential information of our company become necessary, we shall determine the disclosure method, the scope of the confidential information to be disclosed, and other matters after thorough consideration. Moreover, we shall conclude a confidentiality agreement so that confidential information is not disclosed to third parties.
- 3. Individuals with access to confidential information during their tenure with our company shall neither use nor disclose this information to third parties without the company's permission even after leaving the company.

2. Fairly obtaining and properly using confidential information of other companies

- 1. When obtaining confidential information of other companies, we shall acquire this information by proper methods from a person with authority to disclose it.
- 2. Upon acquiring confidential information from another company, we shall confine our use to the scope specified in the confidentially agreement and shall properly manage the information as if we were handling the confidential information of our own company.

3. Properly handling personal information

- 1. When acquiring personal information, we shall indicate the purpose for using the information to the individual person and restrict our use to this purpose. Additionally, when personal information is mutually shared among companies of the Group, we shall specify the scope of user access, items for use, and purpose of use to the individuals directly or through our homepage.
- 2. We shall do everything possible to prevent the leak of personal information that is entrusted to us from our customers, business partners, and employees.
- 3. We shall take the appropriate measures regarding requests by individuals for us to disclose, correct or delete their respective personal information in the data stored in our database.

4. Managing information systems appropriately

- 1. We shall thoroughly implement IT security management according to IT security guidelines to protect and appropriately use the Daikin IT system (computer systems, network and as information property kept within the computer systems).
- 2. We shall always be on guard for cyber attacks such as computer viruses from outside. Furthermore, even if by chance we are attacked, we will act in accordance to the IT security in order to protect against actual damage from viruses.

6. PROHIBITION OF INSIDER TRADING

To maintain the trust of shareholders and investors, we shall not use non-public information about the Daikin Group or other companies to buy or sell stocks or other securities (insider trading).

Specific Guidelines

1. Prohibiting trading on inside information of our Group

When material information is gained regarding our Group (non-public information that may affect investment decisions), we shall take procedures according to "Internal company regulations for the prevention of insider trading" and shall neither disclose the information to any other person nor shall we buy or sell Daikin stocks until such data has been disclosed to the public.

2. Prohibiting trading on inside information of other companies

Even in the event that material information regarding customers or other companies (listed companies, OTC-traded companies and the like) is obtained, we shall not disclose the information to any other person until such information has been disclosed to the public. Moreover, we shall neither buy nor sell shares of the company in question with the purpose of profiting from the inside information.

3. Prohibiting leaks of material facts

When material facts of Daikin, Group companies, or other companies (listed companies) are known, we shall strictly manage that information to prevent leaks to third parties prior to public announcement that can be used for the purpose of insider trading. We shall not convey that information to parties outside those who need it to perform work.

4. Prohibiting the short-term buying and selling of stock by Daikin company officers

In addition to the above, company directors, auditors, executive and associate officers must observe "Internal regulations for the prevention of insider trading" by not selling stock within six (6) months of purchase and not buying stock within six (6) months of selling stock.

Furthermore, in the case of buying or selling Daikin stock, officers must follow the Financial Instrument and Exchange Law and promptly report to the Financial Services Agency.

7. TIMELY AND APPROPRIATE DISCLOSURE OF CORPORATE INFORMATION

In order to be an "open company" with high transparency and earn the respect of society, we shall actively convey corporate information in a timely fashion ,not only to shareholders and investors but also to a wide spectrum of society, and engage in two-way communication.

Specific Guidelines

1. Establishing a reliable, transparent, and "open company"

We shall actively provide information on our corporate activities to all persons and entities having vested interests in our Group such as stockholders, investors, customers, and vendors. Additionally, when receiving their opinions on our Group, we shall consider their opinions and reflect them in our corporate activities so that we can be a reliable, transparent, and "open company" society at large.

2. Timely and appropriate disclosure of investor information

- 1. We shall disclose investor information (securities reports, etc.,) to our stockholders, investors, and others in accordance with the laws and regulations. In addition, we shall proactively, appropriately, and in a timely manner disclose valuable and reliable information on our management philosophy, management strategy, business plans, etc., so that our stockholders, investors, and others gain a full understanding of our enterprise management.
- 2. The Information Disclosure Committee shall determine the validity and appropriateness regarding disclosure of particularly important information with the aim of providing even greater accountability.

8. PRESERVATION OF THE GLOBAL ENVIRONMENT

We shall observe all applicable environmental laws and regulations of each country and region and practice initiatives that preserve the global environment in all aspects of our business operations, including product development, manufacturing, sales, distribution, and services. Also, each and every one of us shall deepen our knowledge of environmental issues, reduce the environmental load in the workplace and at home, and strive toward biodiversity conservation.

Specific Guidelines

1. Observing environmental laws and regulations

In the execution of our business activities, we shall observe environmental laws and regulations of and work to reduce the environmental load and prevent environmental pollution.

2. Employing activities for the protection of the environment in the workplace

The Group shall be united in the promotion of environmental activities. All employees shall have the same awareness and engage in environmental activities in all aspects of our business operations including procurement, manufacturing, distribution, sales, and after-sales service in cooperation with our suppliers and other business partners.

3. Product development and technological innovation contributing to environmental preservation

We shall promote product development and technological innovation excelling in environmental performance with a firm, quantitative understanding from the planning and design stages in product development of the impact our business has on the environment. Furthermore we shall work to accelerate widespread adoption on a global basis for these products and technologies with high environmental performance.

4. Environmental communication

We shall honestly and fairly disclose information relating to the environment such as our initiatives and results for preservation of the environment. Furthermore, we shall utilize the outside knowledge receive through such means as two-way dialogue with stakeholders in our initiatives.

5. Promoting of activities for environmental preservation by each employee in the workplace and at home We shall contribute to local communities and society by increasing environmental knowledge and awareness through environmental education and volunteer activities, reduce environmental load with energy savings and resource conservation in the workplace and at home, and tackle initiatives for biodiversity conservation that protect nature and recycle.

9. ENSURING THE SAFETY OF OPERATIONS

We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

Specific Guidelines

1. Observance of safety-related laws and regulations and internal company safety policies together with greater safety awareness and a higher level of safety

Safety-related laws and regulations and internal company safety rules are established in response to experience and past failures. It is therefore critical that we observe these policies in the interests of safety. We shall constantly review internal company safety rules for optimal content and strictly observe these rules as well as all safety-related laws and regulations in order to make every effort to raise the level of safety.

Furthermore, it is necessary that each and every one of us maintain a high awareness for safety as a fundamental premise for ensuring safety. We shall work to increase safety awareness through safety education including hands-on, practical safety training and improve the level of safety.

2. Execution of precautions based on the likelihood of danger

To ensure operation safety, it is extremely important to infer the sources of hazards prior to an accident or disaster occurring and prepare for them.

Together with practicing danger prediction activities, we shall examine danger factors in the workplace according to risk assessment and work to create a "zero danger" workplace by drafting countermeasures and practicing PDCA in their execution.

3. Taking immediate action at the occurrence of an accident or disaster

- 1. In the event that an accident or disaster occurs, we shall rescue the victims and prevent the spread of the accident or disaster. If necessary, we shall immediately issue an evacuation order to the neighborhood and shall guide members of the community to safety.
- 2. Also, together with planning beforehand the steps to take for business continuation such as early restoration of facilities damaged by the accident or disaster, we shall constantly train and make every effort in preparation for all types of emergency situations to minimize their impact.

10. RESPECT FOR HUMAN RIGHTS AND DIVERSITY AND OBSERVANCE OF LABOR LAWS

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

* Human rights are the minimum rights necessary for human beings to live in happiness and are those rights to which each living person is entitled and no one can infringe upon.

Specific Guidelines

1. Respecting human rights

We shall respect the human rights of each and every employee without regard to nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. We shall cooperate with each other to ensure a pleasant working environment and good human relations in the workplace, and make every effort to create a fair and positive workplace. There shall be no harassment including sexual or power harassment as well as harassment relating to pregnancy, childbirth, or childcare leave. Furthermore, we shall respect the human rights of people outside the company including our business partners and various stakeholders.

2. Respecting diversity

We shall draw together the strength we possess by respecting diversity in values and acting in harmony through mutually acceptance of our respective differences. We shall enhance the individuality and abilities of each and every person to become the strength of the team and aim to be a group that generates one innovation after another at all workplaces.

3. Observance of laws and regulations relating to labor practices

We shall thoroughly comply with all labor laws and regulations (Labor Standards Law, the Industrial Safety and Health Law, the Labor Union Law, the Worker Dispatch Law, etc.,) and promote a relationship where "the company and the individuals who work there are drawn together by mutual preference" to create a foundation where each and every employee can work with enthusiasm.

4. Ensuring workplace health and safety

We shall first ensure the health and safety of our workplaces so that all employees can work safely by creating a good work environment that prevents disasters through the daily inspection of workplaces for causes of disasters and the implementation of disaster prevention measures.

5. Instilling pride in all Daikin employees

Before taking any action, we shall remain aware of our social responsibility as Daikin employees. We shall not commit any anti-social or illegal acts, and shall not allow any other persons to commit such acts. In addition, we shall observe our working regulations and internal company policies and shall not commit any dishonest or unfaithful acts. Moreover, we shall maintain internal order and public morals and shall work diligently and with sincerity.

11. PROTECTION OF COMPANY ASSETS

We shall properly manage the tangible and intangible assets of our company to protect and effectively utilize these assets.

Specific Guidelines

1. Using corporate assets only for business purposes

We shall properly manage the tangible and intangible assets of our company to protect and effectively utilize these assets.

2. Protecting corporate assets

We shall enact protective measures for corporate assets (such as daily disaster-prevention activities) and always handle the assets with care to prevent their loss, damage, or theft. In addition, we shall make every effort for appropriate credit management to limit exposure and prevent the occurrence of uncollectible debts.

3. Managing corporate assets properly

When managing our corporate assets (real estate, securities, etc.,), we shall avoid speculative trading.

4. Concluding appropriate contracts

Before concluding an agreement, we shall thoroughly examine the contractual terms of the agreement to ensure that our rights are secured and that we avoid assuming unreasonable obligations. In addition, we shall fulfill the terms of the agreements we have concluded.

12. PROPER HANDLING OF ACCOUNTING PROCEDURES

We shall comply with all accounting standards and tax laws of each country and region as well as internal company rules in properly performing accounting procedures.

Specific Guidelines

1. Paying expenses properly

When paying expenses, we shall observe our internal company rules and adopt a system of multiple checks (checking by two or more people) so that we can avoid improper or unfair expense payments.

2. Ensuring appropriate accounting

We shall observe appropriate accounting standards based on the generally accepted accounting principles to ensure the accuracy of our accounting and financial data. Likewise, we shall build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

3. Observance of tax laws

- 1. We shall pay taxes in accordance with relevant tax laws.
- 2. For cross border transactions, including those transactions involving companies of the global Group, we shall carefully check the tax laws of the relevant country as well as those tax laws in Japan.

13. PRACTICING MODERATION IN ENTERTAINMENT, GIFT EXCHANGES, AND INVITATIONS

We shall exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective country and region.

Specific Guidelines

- 1. Maintaining sound and transparent relationships with government and municipal offices
 - 1. We shall not provide entertainment, the exchange of presents, or invitations to any public servants in government offices in accordance to such laws as the National Public Service Ethics Act.
 - 2. In the expansion of global business, we shall not provide entertainment, the exchange of presents, or invitations to any public servants in overseas government offices that are prohibited by national or regional laws and regulations.

2. Observance of Political Funds Control Law and Public Offices Election Law

Before making a political donation or contribution, whether it be to a candidate or a political party, we shall thoroughly study and uphold the Political Funds Control Law and Public Offices Election Law, and we shall follow the corresponding procedures specified by our company.

3. Practicing moderation in entertainment and gift exchanges with business partners

In regard to entertainment, the exchange of gifts, and invitations for customers or business partners, we shall comply with the laws and regulations relating to each country and region and seek moderation appropriate to the standards of society in maintaining sound business practices.

14. MAINTAINING A FIRM ATTITUDE AGAINST ANTI-SOCIAL ACTIVITIES

We shall take a firm attitude against anti-social forces and organizations that threaten the safety and order of citizens.

Specific Guidelines

1. **Prohibiting the giving of material benefits to any person regarding the exercise of shareholders'rights** We shall not give material benefits to any person regarding the exercise of shareholder's rights.

2. Prohibiting dealings with anti-social forces and organizations

- 1. We shall have no dealings that serve as supporting or providing illegal profit to any anti-social forces or organizations.
- 2. We shall not enlist the support of anti-social forces or organizations in pursuit of business activities.

3. Instituting zero tolerance of anti-social forces and organizations

- 1. We shall not meet any unjustified or unreasonable demands of any criminal groups or organizations.
- 2. If contacted by an anti-social force or organization, we shall handle the matter on an organizational basis, not an individual basis. Moreover, we shall regularly work to build a specific link between law enforcement officers and outside specialists such as lawyers, and in the case of an emergency we shall take appropriate measures through both civil and criminal legal channels in cooperation with outside specialists.

15. RELATIONSHIP WITH SOCIETY

We aim to be a good corporate citizen that is trusted by society and we shall do our best to act with humility and modesty while at the same time having self-awareness and taking pride in our actions. Moreover, we shall participate in social contribution activities centered on environmental conservation, education support, and cooperation with the local community.

Specific Guidelines

1. Role as good corporate citizen

We shall always maintain awareness of our role as a member of the Daikin Group, both inside and outside the company, and take action with humility and modesty in activities that are honorable and considerate of the local community. The sum total of this conduct by each and every one of us will gain the trust of society and lead Daikin to becoming a good corporate citizen.

2. Promotion of social contribution activities

While fostering and promoting strong bonds with society centered on environmental conservation, education support, and cooperation with the local community, the Daikin Group freely participates and plays an active role in social contribution activities that benefit the community with the goal of realizing an affluent, sustainability developing society.

16. OBSERVING EACH CATEGORY OF INDUSTRY LAW AND REGULATION

We shall accurately interpret and observe all applicable laws and regulations of each country and region in which our businesses participate.

Specific Guidelines

The various divisions and departments within Daikin cover a wide range of industries and must comply with a variety of laws and regulations related to our business activities. These laws and regulations are sometimes revised and new laws and regulations may also be enacted.

Recognizing this, we shall therefore examine and comprehend these laws and regulations and take the actions specified, such as obtaining permission or approval, reporting to the authorities concerned, observing standards, undertaking periodic inspections, and preparing and storing records.

CSR Management CSR MANAGEMENT STRUCTURE

CSR Management Structure

Daikin has set categorized key sustainability themes into value provision and foundation toward achieving sustainable development in its business and in society as it strives to solve society's challenges through its business activities.

The CSR Committee, chaired by the officer in charge of CSR, sets Daikin's CSR direction and monitors the progress of CSR activities. The CSR & Global Environment Center, which has been established under the CSR Committee, leads comprehensive, cross-organizational CSR activities throughout the entire group.

The CSR Committee is made up of officers in charge of the key themes and meets once a year to discuss and share ideas on social trends, progress in key CSR themes, and issues that require addressing. Items decided on by the CSR Committee are reported to the Board of Directors.

In fiscal 2021, the CSR Committee verified the progress versus the target for 2030 aimed at reaching the goal of net-zero greenhouse gas emissions by 2050. In addition, it deliberated on the indicators and targets for sustainability.

Materiality (of Key Initiatives)

> For more information, refer to "Identifying Key Themes of Sustainability for Daikin and Society" (Process for Identifying Key Sustainability Themes). (Page 102)

Sustainability Targets and Results

> For more information, refer to Sustainability Targets and Results. (Page 105)

History of CSR Activities

Deepening Focus on Key Issues in Response to Society's Expectations

Daikin has rapidly expanded as a global corporate group, and with this expansion have come greater demands from society and greater corporate social responsibility (CSR).

We have striven to fulfill our CSR by responding to the expectations of our various stakeholders while implementing our Group management philosophy.

2002

Daikin Formulates Our Group Philosophy as Its Basic Philosophy of Business

Daikin formulated Our Group Philosophy with the aim of becoming a corporate group trusted by worldwide customers and where employees in all countries could work with pride. By sharing Our Group Philosophy as the fundamental business philosophy of the entire Group, it has become the cornerstone of all employees' thoughts and actions.

The management policies and plans of Daikin Industries, Ltd. and all other Group companies were created in line with Our Group Philosophy, and we believe that the embodiment of this philosophy has brought us closer to becoming a truly global and excellent company.

> "Our Group Philosophy" (CSR Philosophy) (Page 70)

2005

The Daikin Group Defines Its Philosophy on Responsibility toward Stakeholders

We expressed our belief that the Daikin Group's CSR is to conduct business that puts Our Group Philosophy into practice and fulfills our responsibility to society by meeting the expectations of shareholders.

> "How We View CSR" (CSR Philosophy) (Page 70)

2008

Daikin Establishes Key Themes with Consideration for Business Plans and Impact on Stakeholders

In light of the unique characteristics and business plans of Daikin, a global manufacturer of air conditioners and fluorochemicals, we established key CSR themes in four areas: the environment, quality & customer satisfaction, human resources, and social contribution.

2011 to 2015

Active CSR Based on the Fusion 15 Strategic Management Plan

In fiscal 2011, we launched our Fusion 15 strategic management plan to respond to the demands of society.

2016

Revision of Key Themes in Line with Fusion 20 Strategic Management Plan

When we formulated Fusion 20, we revised the materiality of various efforts to the Daikin Group, and as a result came up with four key CSR themes—the environment, new value creation, customer satisfaction, and human resources—as ways to carry out CSR for value provision. We added to this the theme of fundamental CSR, thus giving us five key themes under Fusion 20. In addition, CSR Action Plan 2020 was formulated with goals of quantitative indicators for each theme for 2020.

> Relationship between Sustainability and Management Strategy (Page 33)

2018

Formulation of Environmental Vision 2050

Daikin established Environmental Vision 2050 with the goal of reducing greenhouse gas emissions to net zero by 2050 in order to resolve intensifying environmental challenges from a long-term perspective. In addition to reflecting the measures in the final three years of Fusion 20 strategic management plan, we are also developing a medium- to long-term strategy targeting 2030.

2021

Formulation of strategic management plan, Fusion 25, in pursuit of further contribution to a sustainable society

Our key themes, including the challenge to achieve carbon neutrality, as well as the target value for 2030 in aiming to achieving net-zero greenhouse gas emissions in 2050 are established in Fusion 25, our strategic management plan.

CSR Management

PROCESS FOR IDENTIFYING KEY SUSTAINABILITY THEMES

Daikin has reflected the changes in external environment and the key themes of sustainability identified by the CSR Committee with an eye toward 2030 in the key strategy themes of the Fusion 25 Strategic Management Plan (materiality of management) ending in 2025.

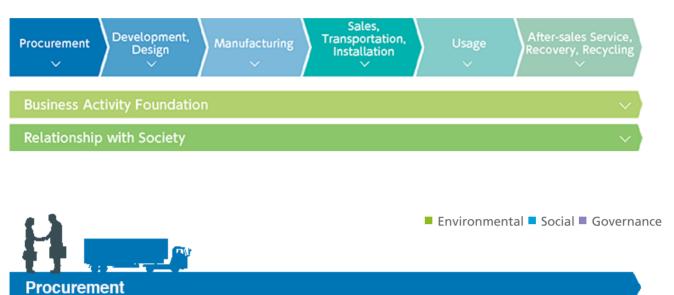
Understanding Stakeholder Concerns and Impacts

One important judgment criterion in analyzing materiality is stakeholder concerns and impacts. To fully understand this, Daikin follows international frameworks toward solving society's challenges (global risks), and it takes into account stakeholder assessments of Daikin and the wishes and opinions that stakeholders have expressed in dialogue with Daikin.

Society's challenges (Global risks)	 Extreme weather events and temperatures Natural disasters Failures of climate change mitigation and adaptation Loss of biodiversity Pandemics Natural resource crises Note: World Economic Forum Global Risks Perception Survey 2020
International frameworks	 Sustainable Development Goals (SDGs) Paris Agreement to the UN Framework Convention on Climate Change Kigali Amendment* to the Montreal Protocol UN Global Compact (UNGC) * International agreement to phase down the global warming impact (CO₂ equivalent) of HFCs.
Assessments of Daikin, stakeholder dialogue	 ESG assessment Dialogue with stakeholders Briefings for shareholders and investors Air Conditioner Forums Dialogue with international organizations, NPOs, NGOs, etc.

	 Worldwide electricity demand for space cooling will triple by 2050
Important Elements Affecting	 Acceleration in the decarbonization movement
Daikin	 Growing physical risks such as extreme weather events and risk of resource depletion Growing need for safe and reliable air environments

Assessing the Impact of Our Business on Society throughout the Entire Value Chain



Impacts of our business and expectations of Daikin

Throughout our supply chain:

 Respond to various procurement risks involving quality control, labor practices, and environmental protection

Efforts of significant materiality

- Response to climate change
- Supply chain management
- Respect for human rights



Impacts of our business and expectations of Daikin

At our R&D bases:

- Contribute to R&D that strikes a balance between growing air conditioning demand and decarbonization of society
- Contribute to solutions to social issues such as water shortages, air pollution, and infectious diseases

- Response to climate change
- Prevent air and water pollution
- Provide safe and reliable air environments
- Increase the valued-added nature of air
- Create innovation through co-creation



Impacts of our business and expectations of Daikin

At our production bases:

- Increase production efficiency while increasing manufacturing quality
- Mitigate environmental impacts

Efforts of significant materiality

- Response to climate change
- Prevent air and water pollution
- Provide safe and reliable air environments
- Increase the valued-added nature of air
- Create innovation through co-creation



Impacts of our business and expectations of Daikin

At our distributors:

- Market products with a lower environmental impact
- Provide training on installation and maintenance techniques

- Response to climate change
- Quality and customer satisfaction
- Anti-corruption



Impacts of our business and expectations of Daikin

At our customers:

- Reduce CO₂ emissions from electricity consumption
- Prevent heatstroke and increase productivity with air conditioning
- Provide a safe and reliable air environment using ventilation, air purification, and filtration

Efforts of significant materiality

- Response to climate change
- Prevent air and water pollution
- Quality and customer satisfaction
- Information security



Impacts of our business and expectations of Daikin

At maintenance providers:

- Provide high quality after-sales services
- Recycle air conditioners
- Achieve refrigerant eco-cycle (recovery, reclamation, and destruction)

- Response to climate change
- Response to resource recycling
- Quality and customer satisfaction



Impacts of our business and expectations of Daikin

For sustainable growth:

- Foster human resources
- Compliance
- Strengthen governance and risk management

Efforts of significant materiality

- Human resource development
- Corporate governance
- Risk management
- Respect for human rights



Impacts of our business and expectations of Daikin

For growing together with society:

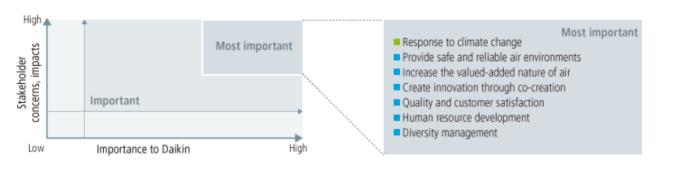
 Collaborate with diverse stakeholders, including governments, international organizations, industry and academia, NPOs and NGOs, experts, and local communities

- Response to climate change
- Create innovation through co-creation
- Stakeholder engagement
- Communities

Identifying Key Sustainability Themes for Daikin and Society

Along with formulating the Fusion 25 Strategic Management Plan, we reviewed our key themes of CSR. We incorporated highly important initiatives for evaluating the impacts our business has on society across the entire value chain. On top of this, we evaluated the materiality for Daikin in terms of stakeholder's concerns and impacts by soliciting the views of investors, experts, and external directors and then conducting interviews with employees and senior management. This culminated in the CSR Committee finalizing the key sustainability themes.

Materiality Analysis



Reflection in Fusion 25 Strategic Management Plan

Under the Fusion 25 Strategic Management Plan, Daikin established nine key strategy themes including "Challenge to achieve carbon neutrality" based on the key sustainability themes, our strengths, and changes in the external environment around Daikin. By implementing this plan, we will aim to contribute to society and grow the Group.

9 key strategy themes

3 growth strategy themes

- Challenge to achieve carbon neutrality
- Promotion of Solutions business connected with customers
- Creating value with air

Fusion 25 Strategic Management Plan

Offer new value for the environment and air to realize both contributions to a sustainable society and Group growth

1 theme for focus regions

Air Conditioning business in North America

5 themes to enhance the management foundation

- Strengthening technology development capabilities
- Establishing a robust supply chain
- Promoting digital transformation for innovation
- Creating market value/enhancing advocacy activities
- Improving HR capabilities through advanced diversity management

10 Key Sustainability Themes

We have established indicators and targets on the key sustainability themes based on the Company's material sustainability issues and the Fusion 25 Strategic Management Plan.

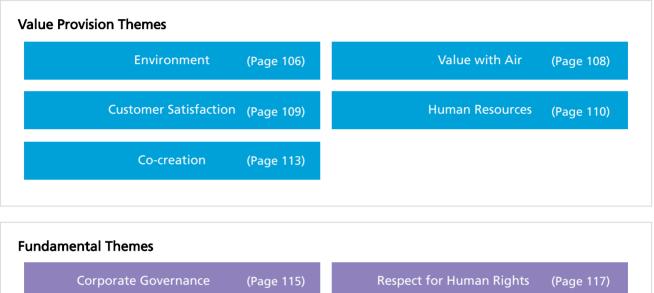
Value Provision Themes	Foundational Themes
 Environment Value with Air Customer satisfaction Human resources Co-creation 	 Corporate governance Respect for human rights Supply chain management Stakeholder engagement Communities

CSR Management SUSTAINABILITY TARGETS AND RESULTS

Daikin has set targets for 2025 regarding five value provision themes and five fundamental themes that we are working toward across the entire Daikin Group. Here, we report on the medium-term targets and the fiscal 2021 results regarding these themes.

> Sustainability Targets and Results 🔁 (55KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/company/Sustainability_Action_Plan-pdf.pdf)



Corporate Governance	(Page 115)	Respect for Human Rights	(Page 117)
Supply Chain Management	(Page 117)	Stakeholder Engagement	(Page 118)
Communities	(Page 118)		

ENVIRONMENT

Introduce state-of-the-art technologies to the market in order to address environmental and energy issue

Initiatives

Reduce net greenhouse gas emissions throughout the entire lifecycle in an effort to achieve carbon neutrality by 2050

Net greenhouse gas emissions from our own business operations

We measured the extent of reduction in net greenhouse gas emissions from our own business operations

Medium-Term Targets



to BAU, with 2019 as the base year

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>





Fiscal 2021 Achievements

Greenhouse gas emissions from manufacturing

We measured how much we reduced greenhouse gas emissions generated from product manufacturing and other processes

Medium-Term Targets

1.2 million tons-CO₂ in fiscal 2025

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2021 Achievements

1.16 million tons-CO₂ (36% reduction compared to fiscal 2015)

VALUE WITH AIR

We will contribute to healthy and comfortable living using the power of air

Initiatives

Focus on businesses that help control air pollution and infectious diseases to provide a safe, reliable, healthy and comfortable air environment

Net sales of IAQ/Ventilation business

We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment

Medium-Term Targets

290 billion yen in fiscal 2023





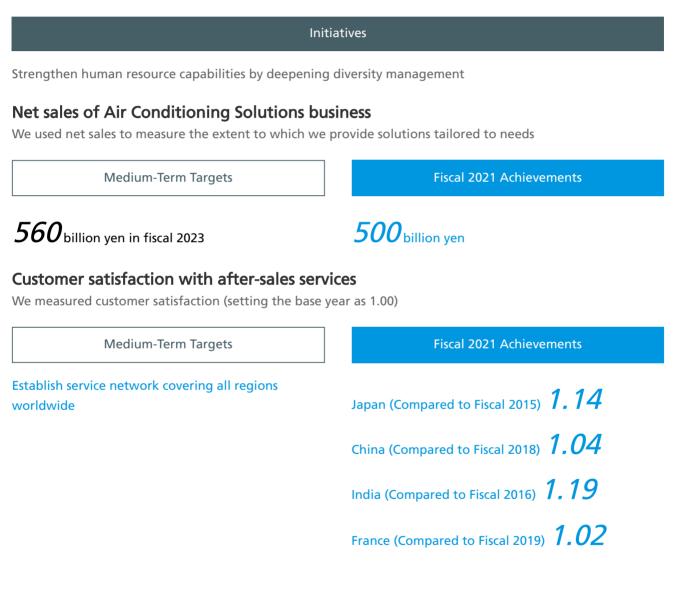
Fiscal 2021 Achievements



Sustainability Targets and Results

CUSTOMER SATISFACTION

Respect individual personalities and values, and maximize the potential of each employee so that they can benefit Daikin and society as a whole



Sustainability Targets and Results

HUMAN RESOURCES

Respect individual personalities and values, and maximize the potential of each employee so that they can benefit Daikin and society as a whole

Initiatives

Strengthen human resource capabilities by deepening diversity management

Number of persons participating in executive management and leadership development programs

We measured the number of participants in executive management and leadership development programs as an indicator for measuring the development of executive management and leadership globally

Medium-Term Targets

Maintain and increase the development of global leaders

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2021 Achievements

31 participants

Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions

We measured the number of persons developed with advanced engineering skills and knowledge and who can lead manufacturing

Medium-Term Targets

1 in **4** in fiscal 2025

1 in **6.8** employees

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>



Number of female managers

We measured the number of female managers as indicators for measuring employee diversity

Medium-Term Targets

Increase ratio of female managers

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business> Fiscal 2021 Achievements

Fiscal 2021 Achievements



Percentage of overseas bases where local nationals are president

We measured the percentage of overseas bases where local nationals are president as indicators for measuring employee diversity

Medium-Term Targets

Maintain and increase percentage of overseas bases where local nationals are president

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>



Frequency rate of lost work time accidents We measured whether production bases are operating safely

Medium-Term Targets

0

1.19

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>



Fiscal 2021 Achievements

Fiscal 2021 Achievements

45% (overseas bases)

CO-CREATION

We will combine people, knowledge, and information from around the world to create social value

Initiatives

Fiscal 2021 Achievements

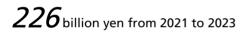
81.5 billion ven

Collaborate, partner, and combine efforts with other companies, universities, and research institutes to achieve manufacturing and also creating experiences of new value for society

R&D expenditure

We measured the investment amount for value creation

Medium-Term Targets



<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business>



Number of cases of industry-industry and industry-academia collaboration

We measured the number of cases of industry-industry and industry-academia collaboration

Medium-Term Targets

Promotion of industry-industry and industryacademia collaboration

<Eight Sustainable Development Goals Daikin Is Contributing to through Its Business> Fiscal 2021 Achievements

 $Z_{industry-industry and}$

122 industry-academia cases (Daikin Industries, Ltd. only)



Sustainability Targets and Results

FOUNDATIONAL THEMES

Corporate Governance

Initiatives

Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value

Number of directors who are outside the company, women, and foreign nationals

We measured the diversity of the make-up of directors

Medium-Term TargetsFiscal 2021 AchievementsDegree of independence from the company,
diversity, and transparency of the Board of Directors4 external directors, 1 female director, 1 foreign
national director among the 11 directors (Daikin
Industries, Ltd. only)

Number of female officers appointed from inside the company

We measured the appointment of female officers from inside the company

Medium-Term Targets

Appointment of female officers from inside the company: 1 or more in fiscal 2025

1 (Daikin Industries, Ltd. only)

Fiscal 2021 Achievements

CSR Management

Initiatives

Support the Group's sound development

Number of meetings of the Corporate Ethics and Risk Management Committee and regional legal and compliance committees

We measured the number of meetings as a way to ensure thorough implementation of policies globally

 Medium-Term Targets
 Fiscal 2021 Achievements

 Strengthen appropriate and smooth risk
management capabilities
 Held committee meetings 2 times and 3 times,
respectively

Self-assessment implementation rate

We measured the implementation rate of self-assessment as a way to foster compliance awareness among each and every employee

Medium-Term Targets

Strengthen and upgrade global legal and compliance systems

99%

Fiscal 2021 Achievements

Respect for Human Rights

Initiatives

Show respect for basic human rights in accordance with all international norms based on the laws and regulations of each country and region

Self-assessment implementation rate

We measured how thorough we were in respect for human rights through the implementation rate of selfassessments

Medium-Term Targets	Fiscal 2021 Achievements
Thoroughness of respect for human rights and implementation of human rights due diligence	99 %

Supply Chain Management

Initiatives

Build a robust and resilient supply chain that minimizes risk

Class A CSR procurement achievement rate

We measured the ratio of suppliers who satisfied Daikin's Class A in-house standards to total procurement value

Medium-Term Targets

Increase Class A CSR procurement achievement rate among all suppliers

Fiscal 2021 Achievements

72%

Stakeholder Engagement

Initiatives

Respond appropriately to society's needs and expectations through two-way communication

Number of air conditioner forums held, number of outside participants

We measured the number of dialogue sessions with experts around the world related to our core business of air conditioning

Medium-Term Targets

Engage in dialogue with stakeholders and reflect this dialogue into management

Held *eight* times around the world with a total of 127 people, including university professors and specialists from 17 countries taking part

Fiscal 2021 Achievements

Communities

Initiatives

Create strong bonds with communities as a good corporate citizen

Expenditure for social contribution activities

We calculated the monetary amount, through donations, goods, and other ways, that we provided to communities

Medium-Term Targets

Contribution to environmental conservation, education support, and cooperation with the local community Fiscal 2021 Achievements





Sustainability Report

2022 -Web version-(As of November 2022)

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Value Provision Themes Environment



Policy

Introduce State-of-the-art Technologies to the Market in Order to Address Environmental and Energy Issues

Why is it important?

Since air conditioners consume a large amount of electricity, we have an important social obligation to fulfill the environment as the world's only manufacturer that develops both air conditioners and refrigerants.

Daikin's Approach

We strive to reduce our impact on the environment throughout the value chain. We place particular emphasis on the impact of our products on climate change and aim to achieve netzero emissions of greenhouse gas by 2050.

Sustainability Targets and Results

Reduce net greenhouse gas emissions throughout the entire lifecycle of our products in an effort to achieve carbon neutrality by 2050

•Net greenhouse gas emissions from our own business operations (compared to BAU, with 2019 as the base year)

We measured how much we reduced net greenhouse gas emissions from our own business operations.

Medium-Term Targets

Fiscal 2025

Fiscal 2021 Achievements

Reduction by 30% or more 10% reduction

•Greenhouse gas emissions from manufacturing

We measured how much we reduced greenhouse gas emissions generated from product manufacturing and other processes.

Medium-Term Targets Fiscal 2025

1.2 million tons-CO₂ **• 1.16** million tons-CO₂



(36% reduction compared to fiscal 2015)

Long-Term Outlook Policy (Environmental Vision 2050)

(Page 51)

We formulated Environmental Vision 2050 with the aim of reducing greenhouse gas emissions to net zero by 2050.

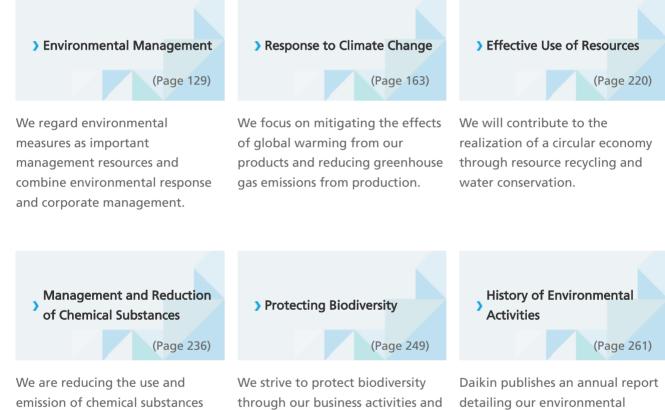
) Basic Environmental Policy

(Page 124)

We have established a basic environmental policy that serves as the basis for our efforts.



We report on the overall impact of our business activities on the environment (through the categories of input and output).



and strive to prevent pollution from chemical substances.

environmental contribution activities.

protection activities.



Daikin Industries, Ltd. has been endorsed as an Eco First Company under the Eco First Program of Japan's Ministry of the Environment.

Related information

> Information Disclosure based on the TCFD Framework (Page 57)

Environment

BASIC ENVIRONMENTAL POLICY

Basic Environmental Policy of the Daikin Group

Environmental Philosophy

Lead the Way to an Environmentally Conscious Society

As we continue developing our business operations in various fields, it is our mission to proactively develop initiatives to respond to environmental issues. Incorporating environmental initiatives throughout our management must be a priority for us.

In all aspects of our business operations, including product development, manufacturing and sales, we need to formulate initiatives that sustain and improve the environment. Meanwhile, we need to promote the development of new products and the innovation of technologies that will lead to a more environmentally healthy world.

Under the precept "environmental response is an important management resource," we must integrate environmental initiatives into our corporate management since they can lead to business expansion, improved business performance, and further enhancement of our credibility with outside parties. We intend to continue being a leading company in the practice of "environmental management," thus contributing to a healthier global environment as a good citizen of the earth.

Action Guidelines

- 1. Ensure that all members of the Group deepen our understanding of environmental issues and take responsibility for the impact our actions have on society in general.
- 2. Establish, promote, and continuously improve an Environmental Management System to actively and effectively implement Environmental Management as a Group.
- 3. Develop and implement environmental initiatives in all aspects of our business operations, including product development, production, sales, distribution, services, and recycling. In particular, be a leader in society by developing products, technologies, and business opportunities that contribute to sustaining and improving our environment.
- 4. Implement environmental initiatives that are globally consistent as well as promote initiatives that respond to the particular circumstances of each country and region. Furthermore, actively promote cooperation and alliances with related companies, external organizations, and institutions.
- 5. Disclose environmentally related information in a truthful and fair manner. Listen to the views of people both inside and outside the company to continuously improve our environmental preservation efforts.

The Daikin Environment Symbol

In February 2002, we created an environmental symbol for the Daikin Group. In environmental protection activities, the little efforts that individuals make add up to big things. The symbol, the Earth in the shape of a green heart, represents a determination on the part of each and every employee of Daikin to think green (think of the Earth and take care of the environment).



Related information

> Environmental Policy of the Daikin Group in Japan 📩 (236KB)

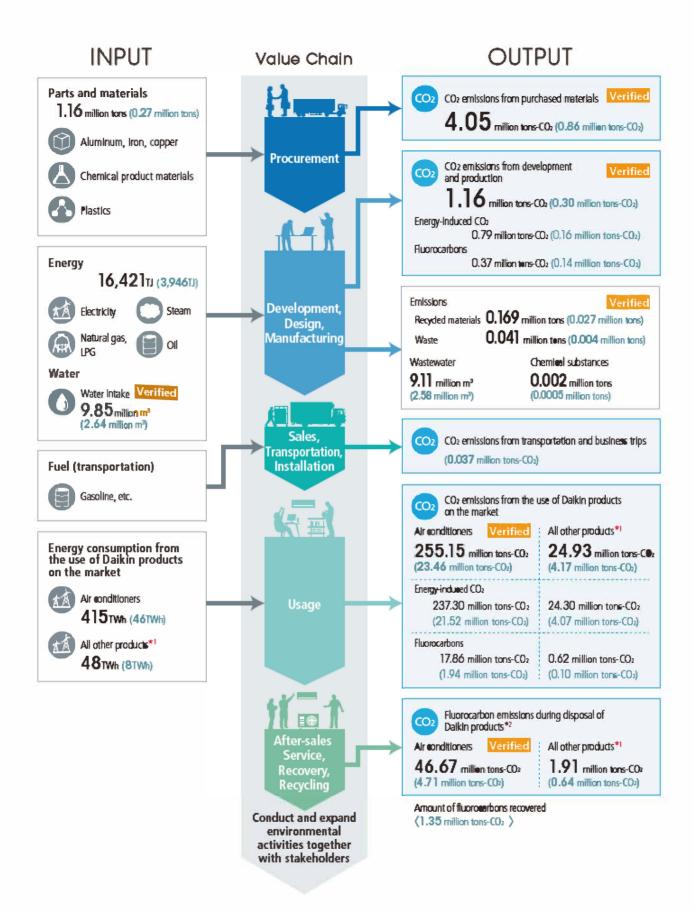
(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/ environment/management/environmental_policy-pdf.pdf)

Environment OVERVIEW OF ENVIRONMENTAL IMPACT

The Daikin Group measures the impact that its business activities have on the environment throughout the value chain: in materials procurement, development, production, transportation, installation, product use, recovery, and recycling. Air conditioners are products that consume large amounts of electricity, and within their product lifecycle, the energy consumed during product use makes a particularly large contribution to climate change.

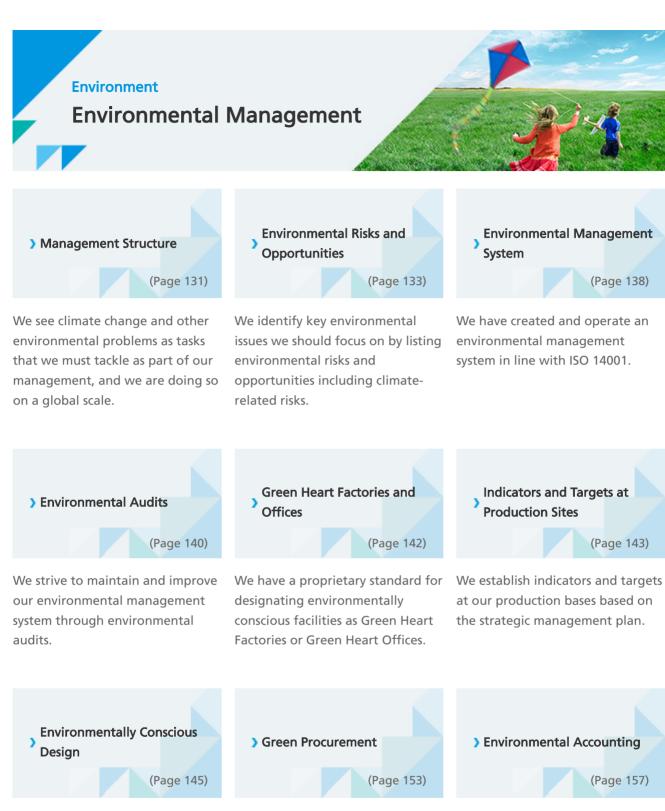
Verified Data Verified by Third Party

- Note: The figures on this page represent the total for the group in fiscal 2021. Figures in () are for Daikin Industries, Ltd. only. Figures in < > are for the Daikin Group in Japan.
- *1 Air purifiers, refrigeration, oil hydraulics, and defense systems, etc.
- *2 The fluorocarbon recovery rate at the time of disposal is calculated as 0%.



Related information

- > Indicators and Targets at Production Sites (Page 143)
- > Method of Calculating Greenhouse Gas Emissions Data (Page 644)
- > ESG data: GHG emissions in the value chain (Scope1,2,3) (Page 653)



We strive to develop products with low environmental impact.

We carry out green procurement in order to reduce environmental impact in the supply chain. We calculate investment in environmental measures and the effect of this investment.

Ba	asic Environmental Policy (Page 124)
En	nvironmental Policy of the Daikin Group in Japan 🛨 (236KB)
•	ttps://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/environment/ anagement/environmental_policy-pdf.pdf)
) Da	aikin Domestic Group ISO 14001 Certificate and Appendices च (2.2MB)
•	ttps://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/environment/ anagement/touroku-pdf.pdf)
> Su	ipply Chain Management (Page 452)
F e	eature of Fiscal Fiscal 2017: Environment—Environmentally Conscious Products Come from Green
He	eart Factories 🔁 (0.8MB)
_(ht	ttps://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/
fea	ature2017-environment-pdf.pdf)

Environmental Management

MANAGEMENT STRUCTURE

Toward the realization of a sustainable society, Daikin makes environmental issues, particularly response to alleviation of the effects of climate change, a key theme in its efforts to provide value to society through its business activities.

Air conditioners, our flagship products, consume large amounts of electricity, and the fluorocarbons they use as refrigerants contribute to climate change. In responding appropriately to the risks that could arise, we implement an environmental strategy, in which we disseminate the products that contribute to alleviating and adapting to climate change and services that are our main strength.

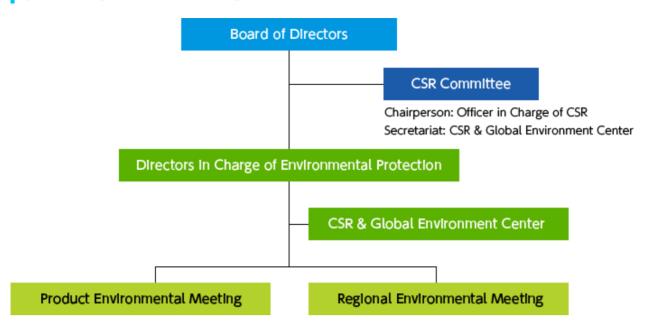
In order to promote environmental management throughout the Group, management of environmental issues related to climate change, water, and waste in each of the five regions including Japan, Europe, the U.S., China, and Asia-Oceania is achieved through regional environmental meetings and product environmental meetings.

Regional environmental meetings are held at each region annual and attended by environmental managers from each base. Efforts aimed at environmental burden reduction and biodiversity preservation are implemented at production bases.

In addition, regional environmental meetings are held every year and attended by promotional managers of each region in developing products with reduced environmental impact, such as air conditioners. Policies and implementation of development and promotion of environmentally conscious products are discussed, such as products that utilize refrigerants with lower global warming potential and energy efficient inverter technology.

Details discussed in regional environmental meetings and product environmental meetings are then deliberated by the CSR Committee, and reported to the Board of Directors after being proposed to the CEO.

System Driving Environmental Management



Environmental Management

ENVIRONMENTAL RISKS AND OPPORTUNITIES

In 2018, we deduced environment-related risks and opportunities pertinent to our company, including climate-related risks. The process involved taking in feedback and opinion from experts within and outside of the company, based on prediction of the society in year 2050.

The deducted environment-related risks and opportunities are evaluated, organized, and analyzed from the two viewpoints of degree of impact on business and likelihood of occurrence. Based on this, environmental issues that our group company must pay attention to for year 2030 have been drawn.

Among environment-related risks and opportunities, Daikin takes measures in accordance with TCFD recommendations and discloses information in dealing with climate change because it considers this to be the issue with the greatest impact on its management.

Related Information

> Information Disclosure Based on the TCFD Framework (Page 57)

Environment-related risks and opportunities and potential impact

Category		Impact on Daikin's business	Probability of occurrence	Potential financial impact
Climate related	1			
Risks	Transition	Stricter regulations on refrigerants If regulations on refrigerants become too strict, there is a possibility that existing air conditioners no longer compliant with these regulations will become obsolete	High	Large
	Tight supply and demand for electricity There is a possibility that the spread of air conditioners in emerging countries will increase electricity usage and make it difficult to increase sales of air conditioners due to electricity shortages	High	Large	
	Physical	Production delays due to water shortage Production bases located in areas of high water stress face the potential risk of disruptions in production due to the shortage of water necessary for production processes	Medium	Medium

Category		Impact on Daikin's business	Probability of occurrence	Potential financial impact
Opportunities		Stricter regulations on refrigerants Companies without technologies compliant with regulations on refrigerants will be weeded out, resulting in increased sales of air conditioners using refrigerants with lower global warming potential, which is our strength	High	Large
	Transition	Stricter regulations on energy efficiency Companies without technologies compliant with stricter regulations on energy efficiency will be weeded out, resulting in increased sales of air conditioners with high energy efficiency, which is our strength	High	Large
		Stricter regulations on the use of fossil fuels Regulations on the use of fossil fuels continue to become stricter, and since gas-combustion heating will be subject to them, there will be an increase in sales on growing demand for heat-pump heating, which is our strength	High	Large

Category	npact on Daikin's business	Probability of occurrence	Potential financial impact
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Environment-related other than climate-related

	Enhanced regulation on the use of plastics Demand (regulation) created for reducing plastics usage as the demand for sustainable use of plastics increases	High	Medium
	Depletion of raw material resources Resources for raw material deplete, affecting business operation	High	Large
Risks	Environmental pollution from production bases Chemical substance management at production bases not functioning, and harmful substances released causing regional environmental pollution	Medium	Small
	Conservation of ecosystem Response demanded as a member of the society to address the losing balance of the ecosystem	Medium	Small
Opportunities	Increased awareness toward air quality As air pollution becomes more serious, the needs for quality air increases	High	Large

Identification, evaluation and management process of environment-related risks and opportunities

We gather information on environment-related risks and opportunities, including those related to the climate, from business bases of each region around the world. Information gathered is then evaluated, organized and analyzed for their degree of impact on business and likelihood of occurrence, and used for identifying climate-related risks and opportunities of important relevant to our Group. The program policy and measure to address these risks and opportunities are then developed and deliberated by the CSR Committee, followed by proposal to the President and CEO and report to the Board of Directors.

Program policy and measures are reflected in the mid-term management plan, and carried out at each business division.

ENVIRONMENTAL MANAGEMENT SYSTEM

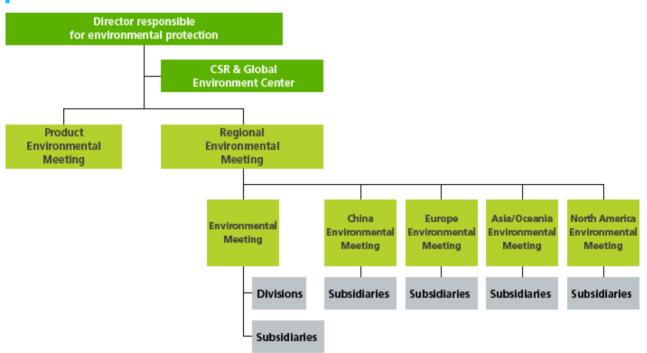
Basic Policy

Building a Group-Wide Environmental Management Promotion System

Daikin has built and operates an environmental management system (EMS) in accordance with ISO 14001. This EMS is shown in the diagram below.

The creation of environmental management systems is proceeding at companies that are new to the Daikin Group as we work toward certification for ISO 14001 at all bases. To ensure the reliability of data and improve our mechanisms for environmental management, we have data on emissions of greenhouse gases, water, waste, and chemicals verified by a third party.

Environmental Management System



Ratio of Employees Belonging to Facilities with ISO 14001 Certification (FY2021)



Related information

> Daikin Bases Certified for ISO 14001 💼 (95KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/environment/management/ems_data-pdf.pdf)

Global Environmental Meetings

Finalized Action Plan to Achieve Environmental Vision 2050

To ensure the continuous improvement of the entire Daikin Group's environmental management, environmental meetings are held once a year in four regions (Europe, the U.S., China, and Asia/Oceania). In addition, once every two years Global Environmental Meetings are held.^{*} At the meetings, local base presidents, environmental heads, and environmental managers in each division, along with the environmental managers in each division in Japan, share Group policy and medium- and long-term targets.

In 2019, the 4th Global Environmental Meeting was held at Daikin Air-conditioning (Shanghai) Co., Ltd. and Daikin Air-conditioning (Suzhou) Co., Ltd. attended by 130 persons from 37 Daikin bases. In addition to sharing of ideas on how to address and accommodate climate change, the Environmental Vision 2050 formulated in fiscal 2018 was kicked off at the meeting. In aiming to achieve net zero greenhouse gas emissions by 2050, we agreed to further reduce waste, ensure thorough horizontal implementation based on examples of improvement, develop energy saving technology, and proceed with energy conversion.

With the goal of helping achieve the targets of the Paris Agreement, we are stepping up energy-efficiency efforts at our worldwide bases.

* The event was postponed since fiscal 2021 due to the COVID-19 pandemic.

ENVIRONMENTAL AUDITS

Environmental Audits

Audit by Internal Auditors and Certification Bodies

At Daikin, based on ISO 14001, inspections by certification bodies are conducted and internal audits are implemented annually. Internal audits focus on conformity with standards and confirmation of legal compliance.

Since the Daikin Group in Japan transitioned to ISO 14001:2015 in fiscal 2016, new initiatives have begun to take hold. The internal audit for fiscal 2021 focused on dissemination of the environmental policy revised in July 2021, and confirmation on progress of the instructions given by the top of each organization and the status of plans for reaching the targets. There were no major nonconformities. Inspections conducted by certification bodies revealed one minor nonconformity, but it has since been corrected.

At each Daikin production site and production subsidiary, systems are in place to minimize environmental damage in the unlikely event that accidents or disasters should occur. Also, we seek closer interactions with nearby residents' associations and conduct factory tours among other daily efforts to maintain an emergency contact system coordinated with local communities.

	Findings from internal environmental audits	Findings by certification bodies
Major nonconformance	0	0
Minor nonconformance	8	1
Improvement	97	3

Internal Auditor Training

As of the end of fiscal 2021, there are currently 83 internal auditors undergoing training and skills improvement at the Daikin Group in Japan. Newly appointed and experienced auditors work in pairs so as to pass on skills from one generation to the next and 10 newly appointed auditors work as assistant auditors. Internal auditors also take annual training to improve their skills and ensure standards are being thoroughly met.

In fiscal 2021, continuing from the previous fiscal year, group training was conducted virtually, where participants learned more in depth about the points of confirmation through environmental secretariat audits, division audits, and field audits.

Going forward, we will focus on enhancing the skills of newly appointed auditors with an eye toward the generation change taking place among auditors.

GREEN HEART FACTORIES AND OFFICES

Green Heart Factories

Certifying Environmentally Conscious Plants Based on In-House Standards

Since fiscal 2005, Daikin has utilized in-house standards for evaluating and certifying environmentally conscious plants for their environmental and social performance. Certification is conducted once every two years.

In fiscal 2017, we revised these standards to elevate these efforts to a higher level. In addition to the standards used up to now focused on whether environmental activities are being conducted organization-wide, including mechanisms for the participation of all employees, we established a four-stage certification ranking system consisting of platinum, gold, silver and bronze categories. With the revision of these standards, we have moved the Green Heart Factory initiative into stage two and strived to improve the ranking of each business site.

Fiscal 2021 was the final evaluation for stage two. In addition to many business sites achieving improvement in their ranking, including reaching the highest rank of platinum certification, there were also multiple domestic Group business sites acquiring their first certification. This reflects the result of their initiatives on biodiversity conservation and introduction of renewable energy use.

As of the end of fiscal 2021, 46 bases in Japan and overseas had been certified as platinum (six bases), gold (eight bases), silver (23 bases) and bronze (nine bases).

Green Heart Offices

"Green Heart Office" Initiative

Daikin began the "Green Heart Office" initiative in fiscal 2011 to promote environmental activities at nonproduction bases such as offices. In fiscal 2014 we created a three-stage ranking comprising gold, silver and bronze to evaluate the level of initiatives being undertaken by each base based on "reduce resource usage" and "awareness and contribution."

In fiscal 2021, all nine bases received the Gold Class certification. In order to enhance environmental awareness, information sessions on the sustainability report conventionally targeting non-production bases have been switched to video streaming for all employees starting in fiscal 2021. In the Green Heart Office initiative, which was held concurrently, over 1,000 participants responded to the activity-specific survey. We will continue to conduct activities while reviewing the evaluation method going forward.

INDICATORS AND TARGETS AT PRODUCTION SITES

Indicators and Targets on Environmental Activities at Production Sites

We have established targets and indicators at our production sites targeting fiscal 2025 under the Fusion 25 Strategic Management Plan.

We are committed to reducing environmental impacts from production activities in an effort to balance sustainable business growth and environmental conservation.

Indicators and Targets at Production Sites

Main	Management	Fiscal 2025		Fiscal 2021	
initiatives	items	Targets	Targets	Results	Self- assessment
a) Greenhouse Gas	Reduce greenhouse gas emissions (fluorocarbons and energy)	1.20 million tons-CO ₂ (34% reduction compared fiscal 2015)	1.22 million tons-CO ₂ (33% reduction compared to fiscal 2015)	1.16 million tons-CO ₂ (36% reduction compared to fiscal 2015)	***
b) Emissions	Reduce waste generated	Unit reduction in emissions of 10%against standard value [*]	Unit reduction in emissions of 10% against standard value	13% reduction	***
d) Water	Reduce water usage	Unit reduction in water intake of 10%against standard value [*]	Unit reduction in water intake of 10% against standard value	24% reduction	***
e) Chemicals	Reduce VOC emissions	Unit reduction in chemical emissions of 10% against standard value*	Unit reduction in chemical emissions of 10% against standard value	39% reduction	***

* Average for fiscal 2013-2015. Most recent figures for sites that newly joined the Group.

Self-assessment: Shows level of achievement of targets in three designations: $\star \star \star$: Succeeded $\star \star$: Will soon succeed \star : Doing all we can

Environmental Management ENVIRONMENTALLY CONSCIOUS DESIGN

Environmentally Conscious Air Conditioners

Commercialize Only Products that Meet 13 Assessment Criteria

Besides factors like performance and usability, Daikin stresses environmental performance in product development, and incorporates product assessment in the planning and design stages for new products. Product assessment consists of 13 assessment items that we strictly adhere to in developing products.

We also assess global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle. Products only make it to market after we have assessed them against their predecessor products to confirm they exert less environmental impact.

Product Assessment Items

- 1. Weight reduction of products
- 2. Use of recycled materials and parts
- 3. Packaging
- 4. Reduction in environmental impact in the manufacturing process
- 5. Energy and resource conservation in use
- 6. Product life extension
- 7. Ease of delivery/collecting/transporting
- 8. Raise possibility of reuse of resources
- 9. Ease of disassembly and separation of materials by hand
- 10. Ease of shredding/classifying for recycling
- 11. Environmental conservation capabilities
- 12. Disclosure of information

13. LCA

Related information

> Product Assessment Items
(Page 147)

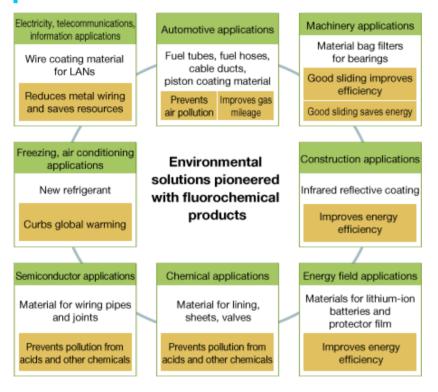
Environmentally Conscious Fluorochemical Products

Contributing to Environmental Protection in a Range of Areas

Fluorine mainly bonds with carbon atoms to become compounds that are highly stable and have useful functions such as the ability to resist heat and repel chemicals.

Utilization of these characteristics in various fields helps contribute to reducing environmental impacts.

Environmental Solutions Pioneered with Fluorochemical Products



Fluoride Materials Reduce Environmental Impact in Various Applications

With fluoride materials having superb heat and chemical resistance, we are conducting R&D into their use as material for semi-conductors and the next generation automobile field. In addition, as fluoride materials also contribute to increased capacity of lithium-ion batteries, they are used for electrode binding and gasket. We will continue to expand their use in renewable energy, new energy, and energy-saving applications.

Product Assessment Items

	As	sessment item	Assessment standard
01. Weight reduction of	1-1	Weight and volume reduction of products, and main raw materials and parts	Have the weight and volume of products (including main raw materials and parts) been reduced?
products	1-2	Weight reduction of scarce materials	Have fewer scarce materials been used?
	1-3	Reduction of refrigerants	Has less refrigerant (HFC) been used?
	2-1	Use of recycled plastics	Have recycled plastics been used?
02. Use of recycled materials and parts	2-2	Labelling use of recycled plastics	Have parts been labelled as using recycled plastics?
	2-3	Use of recycled parts	Have reused parts been used, and are these of standard quality?
03. Packaging	3-1	Reduce weight of packaging, simplify packaging	 Have weight and volume of packaging been reduced? Has packaging been simplified? Is used packaging material small and separable? Can it be easily collected and transported?

	As	sessment item	Assessment standard
03. Packaging	3-2	Make it possible to recycle more packaging	 Has the use of compound materials been reduced? Is it easy to separate each type of material in compound materials? Have common materials been used across products? Has packaging reuse been considered?
	3-3	Use recycled packaging materials	Has recycled packaging material been used?
04. Reduction in	4-1	Reduce amount of production waste	Have products been designed so that less waste is generated during production?
environmental impact in the manufacturing process	4-2	Energy efficiency in the production stage	Are product specifications such that less energy is consumed in the production stage?
	5-1	Improve energy efficiency during use	Has the product been made more energy efficient during use?
05. Energy and resource conservation in use	5-2	Reduce energy consumption in standby mode	Has the product been made more energy efficient in standby?
	5-3	Include energy and resource saving functions	Are there energy and resource saving functions?

	As	sessment item	Assessment standard
05. Energy and resource conservation in use	5-4	Reduce amount of product consumables	Has the amount of consumables been reduced?
	6-1	Improve durability of products and main parts and materials	Are products, parts, and materials more durable than before?
	6-2	Greater ease of replacement and maintenance of consumables	 Does construction make it easy for users to remove and attach? Do parts need to be replaced less often than before? Has information provision improved regarding parts replacement on the main unit and the user manual?
06. Product life extension	6-3	Possibility and greater ease of maintenance and repair	 Have parts requiring maintenance and repair been clearly indicated? Are parts common across products? Does construction allow for easy maintenance and repair?
	6-4	Tell customers how to get longer use out of products	 Are users and repair companies being provided with maintenance and repair information that will extend product life? Are the content, explanations, and illustration methods of the information improved over previous information? Can Daikin provide repair companies with breakdown diagnosis and repair measures, as well as information related to safety and other matters?

	As	sessment item	Assessment standard
07. Ease of	7-1	Improve handling and safety of products during delivery, collection, and transport	 Have items been loaded evenly and balanced, and can collection and transport take place safely? For heavy, bulky items, are handles and wheels properly positioned?
delivery/collecting/transporting	7-2	Improve loading efficiency of products during delivery, collection, and transport	Is it easy to improve loading efficiency, and is there no danger of items falling off?
08. Raise possibility of reuse of	8-1	Raise possibility of use of plastics	Have easy-to-recycle plastics been used?
resources	8-2	Raise recycling ratio	Has the overall possible recycling ratio of the product been raised?
09. Ease of disassembly and	9-1	Easy to disassemble products and separate parts by hand	 Does construction make it easy to disassemble products and remove parts by hand? Do products have a recycling logo that indicates greater ease of disassembly? Is information provided that makes disassembly easy?
separation of materials by hand	9-2	Reduce compound materials	Is there less use of compound materials that make parts and materials separation difficult?
	9-3	Use common materials across products	Have common materials been used across products?

	As	sessment item	Assessment standard
10. Ease of shredding/classifying for recycling	10- 1	Make shredding easier	 Is shredding with a shredder easy? Can products and parts fit into a shredder? Has there been a check to ensure that there are no substances that may damage or dirty the equipment or the materials that will be reused?
	11- 1	Use low global warming potential refrigerants	Do products use low global warming potential refrigerants, which contribute less to global warming?
11. Environmental conservation capabilities	11- 2	Reduce PVC	Has the amount of PVC been reduced?
	11- 3	Protect environment during recycling and disposal stages	 Have safety measures been taken and has refrigerant been properly recovered so that there are no leaks of refrigerants or refrigerator oil during collection and transport. Are refrigerant recovery methods stated in the documentation? Can parts, including environmentally harmful substances, be removed using standard tools?
	11- 4	Provide information to persons at all stages of the life cycle	Have users and relevant contractors been provided with proper information?
12. Disclosure of information	12- 1	Label product, parts, user manual, packaging, etc.	Are there energy and resource saving functions?

	As	sessment item	Assessment standard
12. Disclosure of information	12- 2	Provide information in product catalogs and on the website	 Do product catalogs and the website provide users with information on matters such as energy efficiency and resource efficiency functions? Is there documentation giving information on how to recycle and protect the environment, and information on safety during product disposal?
13. LCA	13- 1	Determine the environmental impact at each lifecycle stage	Has a lifecycle assessment been conducted regarding the environmental impact at each lifecycle stage, such as materials, production, transport, use, and final disposal?
ID. LCA	13- 2	Consider how to reduce environmental impact during the lifecycle	Does a lifecycle assessment show that the product exerts less environmental impact in terms of CO ₂ emissions and global warming potential?

Environmental Management

GREEN PROCUREMENT

Basic Policy

Daikin Group Requests that Worldwide Suppliers Abide by Green Procurement Guidelines

Daikin established its Green Procurement Guidelines in fiscal 2000 and requires suppliers from which it procures materials in Japan and overseas to abide by these guidelines to place a priority on the procurement of materials and parts used in manufacturing that reduce environmental burdens.

In implementing these guidelines, we evaluate suppliers on environmental protection activities using a green procurement inspection list. This inspection list also contains information on the presence or absence of environmental management systems, chemical substances management, and other data.

Overview of Green Procurement Guidelines

Essential conditions for suppliers' management

- Environmental Management System
 (We request our suppliers to either structure environmental management system to obtain ISO 14001 certification, or acquire third-party certification for their environmental management system.)
- Compliance
- Promotion of voluntary activities of improving environment including energy conservation, waste reduction, and improvement of transport means.
- Provision of information (on CO₂ emissions, etc.)

Essential conditions for products

- Chemical substance management
 - 1. Restriction on use of chemical substances
 - 2. Cooperation to investigation of chemical substances
 - 3. Voluntary reduction of substances ranked to reduce, and the implementation of adequate management procedures of them
- Packaging materials
- When designing work is involved, eco-friendly design must be employed.
- Biodiversity
- Protecting water resources
- > Green Procurement Guidelines (Supply Chain Management) (Page 491)

Targets and Achievements

Implementing Improvement and Guidance at Overseas Bases, Increasing Green Procurement Rate

Our goal is to require compliance with the Green Procurement Guidelines by 100% of our suppliers inside and outside of Japan. Supplier procurement rate scores of 82 points or more on the green procurement inspection list are set as the green procurement rate*, which we promote globally with the aim of 100% compliance. The supplier procurement rate corresponds to suppliers inside and outside of Japan accounting for 80% of total procurement value. In fiscal 2021, the Group green procurement rate was 80%.

We attempt to increase the green procurement rate in each region through briefings and other events aimed at facilitating an understanding of the importance of green procurement among suppliers.

We launched green procurement in South America in 2016. In fiscal 2021, at a total of five bases in Malaysia, Singapore, India, the Middle East, and the United States we held briefings to boost the green procurement rate. In regions where green procurement has been established, such as Europe and China, we ask suppliers below a certain standard to make improvements and provide guidance to assist them. Supporting improvements in supplier environmental activities enables us to continue doing business with them.

* Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured

Targets and Achievements of Green Procurement

Quantitative	antitative Target		Progress			
indicator	larget	FY2019	FY2020	FY2021	fiscal year	
Percentage of suppliers requested to carry out initiatives based on the guidelines	Request all suppliers to carry out CSR initiatives based on the Supply Chain CSR Promotion Guidelines	100%	100%	100%	2025	
Number of green procurement surveys conducted	Conduct green procurement surveys of more than 1,500 primary suppliers inside and outside of Japan (accounting for 80% of total procurement value)	143 companies in Japan and 511 companies overseas	449 companies in Japan and 487 companies overseas	Around 600 companies in Japan and around 700 companies overseas	2025	

Green Procurement Rate (%)

	FY2017	FY2018	FY2019	FY2020	FY2021
Japan	92	90	93	95	95
Outside Japan	78	79	77	77	78
Entire Group	76	80	80	80	80

Compliance with Restrictions on Toxic Chemicals

Establishing Standards for Managing Chemical Substances in Products

The Daikin Group maintains a list based on the RoHS Directive^{*1} and the REACH Regulation^{*2} regarding chemicals contained in products. These are stated in our Green Procurement Guidelines, which we require our suppliers to abide by.

- *1 The RoHS Directive (Restriction of Hazardous Substances Directive) is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
- *2 The REACH Regulation on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

Related information

- > Management and Reduction of Chemical Substances Contained in Products (Page 238)
- > Green Procurement Guidelines (Supply Chain Management) (Page 491)

ENVIRONMENTAL ACCOUNTING

Environmental Accounting

FY2021 Environmental Accounting Figures

Total environmental protection costs in FY2021 were ¥38.6 billion (investment in equipment: ¥10.5 billion; expenses: ¥28.1 billion), 130% over the previous year.

For the air-conditioner business, we focused our R&D efforts on developing technologies for energy efficiency and refrigerants. Amidst the growing importance of preventing global warming, we proceeded with the development of products and technologies that reduce environmental impact. Examples are inverter technologies offering both comfort and energy efficiency, R-32 refrigerant, which reduces global warming impact to just one-third that of conventional refrigerants, and heat-pump space and water heaters and water heaters, which result in CO₂ emissions less than half of those from conventional combustion-type heating.

Accounting Method

The costs and effects of Daikin's environmental efforts were calculated based on the Environmental Accounting Guidelines 2005 released by Japan's Ministry of the Environment.

Costs of Environmental Conservation

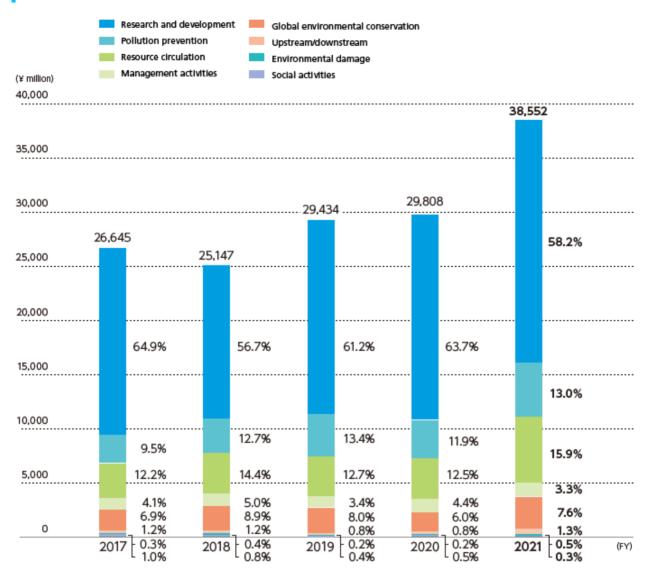
Expenses include labor costs but not depreciation expenses for investment in facilities. The expenses not fully allocated to environmental protection were proportionally divided and totaled according to a relevant Daikin standard.

Effects of Environmental Conservation

Please see the relevant page for details of each item.

Economic Benefits of Environmental Conservation Efforts

The environmental conservation effects and economic benefits were calculated by comparing the adjusted output to the previous fiscal year.



Breakdown of Environmental Conservation Costs (% of total)

FY2020 and FY2021 Environmental Costs

(¥ million)

	Cost of environmental conservation						
		FY20)20	FY2021			
Category	Major activities	Amount of equipment invested	Expenses	Amount of equipment invested	Expense		
Cost in business area		2,195	6,868	6,081	7,970		
1. Environmental impact reduction	Introduction, maintenance, and management of pollution prevention facilities/equipment, expenses for measurement/analysis of air pollution control, water pollution control, vibration, and noise.	1,122	2,415	2,235	2,766		
2. Global environmental conservation	Introduction of energy efficient facilities/equipment, reduction of fluorocarbon emissions in the production process, and recovery of fluorocarbons.	916	884	1,758	1,157		
3. Resource circulation	Reduction or recycling of waste, subcontracting of waste disposal, and resource conservation activities.	158	3,570	2,089	4,048		

	Cost of environn	nental conserva	tion		
Upstream/ downstream	Recycling of used products, and recovery, recycling, and destruction of fluorocarbons in used products or products still in service.	11	227	22	476
Management activities	Running of company organization for environmental matters, environmental education, environmental information disclosure, and establishment/maintenance of environmental management systems.	96	1,215	36	1,245
Research and development	Work on three major tasks for air conditioners, and development of fluorochemical products with minimized environmental impact.	1,470	17,518	4,328	18,102
Social activities	Provision of personnel and monetary aid to environment-related organizations, and environmental protection activities in local communities.	0.05	137	0.03	117
Environmental damage	Costs for purification of polluted groundwater and soil.	0	70	21	154
Total		3,772	26,036	10,488	28,064
Total of investmer	nt in facilities within the period		137,000		156,300
Total of investmer period	nt in R&D activities within the		71,700		81,500

	Effects of environmen	tal conservation		
	FY2020 figures	FY2021 figures		
Effects corresponding to business area cost	1. Effects of the resources used for business	Reduction in CO ₂ emissions caused by energy consumption	94,569 tons-CO ₂	79,486 tons-CO ₂
	activities	Reduction in water consumption	1,470,631 m ³	2,152,117 m ³
	2. Effects against environmental impacts and waste resulting from	Reduction in fluorocarbon emissions	7 tons	43 tons
	business activities	Reduction in waste materials	3,286 tons	-592 tons
Effects associated with		Number of residential air conditioners collected	460,000 units	460,000 units
Effects corresponding to upstream/ downstream cost	benefits and services that are calculated and based on business activities	Amount of fluorocarbons recovered	269 tons	303 tons
		Amount of packaging material recycled	87.0 tons	87.0 tons

(¥ million)

Economic benefits of environmental conservation efforts (monetary benefits)						
Effects			FY2021			
Profit	Profit from sale of recycled items, such as waste or used products, etc.	5,378	7,048			
Reduction in	Reduction in energy expenses resulting from energy conservation efforts	255	6			
expenses	Reduction in waste disposal expenses resulting from resource conservation or recycling resources	20	-667			

Response to Climate Change

Basic Policy

Air conditioners consume large amounts of electricity, and the fluorocarbons they use as refrigerants deplete the ozone layer and contribute to global warming. Particularly in the rapidly developing economies of emerging countries, growing demand for air conditioners is expected to have an increasingly severe effect on climate change.

The Daikin Group is focusing on alleviating the effect that products have on climate change through the dissemination of refrigerants with low global warming impact and energy-efficient technologies, and through the provision of energy-efficient solutions that combine air conditioners, their peripherals, and the buildings in which they operate.

In addition, we strive to reduce emissions of greenhouse gases during development, production and transportation, and we recover, recycle, and destroy fluorocarbons during all stages from production to final product disposal.

Developing and Promoting

Products and Services That
Reduce Environmental Impact
(Page 165)

We disseminate products and services with low environmental impact in order to contribute to solving environmental and energy problems.

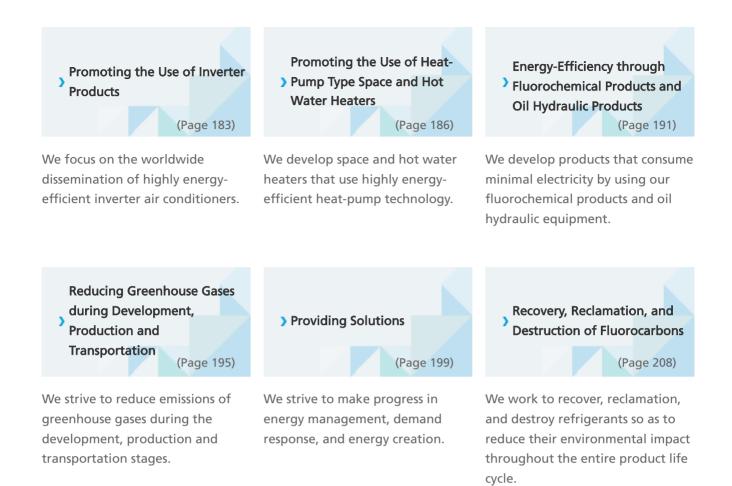


(Page 167)

We strive to develop products that use minimal electricity by conducting quantitative environmental assessments for each product life cycle. Low Environmental Impact Refrigerants

(Page 175)

We strive to develop and disseminate refrigerants with minimal effect on climate change.



Related information

- > Environment (Page 120)
- > Environmentally Conscious Design (Page 145)
- Daikin's Policy on the Environmental Impact of the Refrigerant (https://www.daikin.com/csr/information/influence)
- Daikin's position on the Kigali Agreement for HFC phase down 1 (86KB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/ EN_Kigali_Agreement_Daikin_Stance_FINAL-pdf.pdf)
- > Dialogue with Government and Industry Groups (Stakeholder Engagement) (Page 502)
- > Feature of Fiscal 2021: Environment—Challenge to Achieve Carbon Neutrality (Page 624)
- Feature of Fiscal 2020: Environment—Creating Standards for a Decarbonized Society Alongside Stakeholders (https://www.doi.lib.org/forture2020/01)
 - (https://www.daikin.com/csr/feature2020/01)
- Feature of Fiscal 2018: Environment—Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies (https://www.daikin.com/csr/feature2018/01)

Response to Climate Change

DEVELOPING AND PROMOTING PRODUCTS AND SERVICES THAT REDUCE ENVIRONMENTAL IMPACT

Daikin is working in numerous areas to reduce environmental impact, such as by developing and promoting products including high energy efficiency inverter units, refrigerants that have a lower global warming potential, and heat-pump heaters that offer better control of CO₂ emissions than combustion heaters.

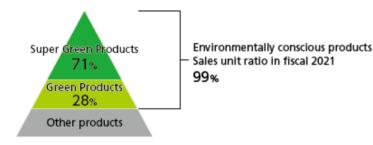
Furthermore, by promoting these products and services, we will contribute to solving global environmental and energy problems while providing a healthy and comfortable air environment, as well as contribute to achieving a carbon neutral society.

Environmentally Conscious Product^{*} Sales Unit Ratio

In order to mitigate the global warming impact of its air conditioners, Daikin defines its environmentally conscious products as Super Green Products and Green Products, developing and spreading the use of these products.

In fiscal 2021, environmentally conscious products accounted for 99% of residential air conditioner units sold.

Environmentally Conscious Products as Percentage of Units Sold (residential air conditioners)



		2018	2019	2020	2021
Environmentally Conscious Products		93	97	98	99
	Super Green Products	51	60	69	71
	Green Products	42	36	29	28
Other products		7	3	2	1

* Environmentally conscious products: A generic term that refers to Super Green Products and Green Products. Air conditioners that meet all of the following conditions are considered Super Green Products, and air conditioners that meet at least one of the following conditions are considered Green Products.

- Consume at least 30% less electricity than conventional products, i.e., air conditioners equipped with inverters
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants Example: Air conditioners using R-32, a refrigerant with low global warming potential

Related information

- > Promoting the Use of Inverter Products (Page 183)
- > Low Environmental Impact Refrigerants (Page 175)

Response to Climate Change

INCREASING AIR CONDITIONER EFFICIENCY

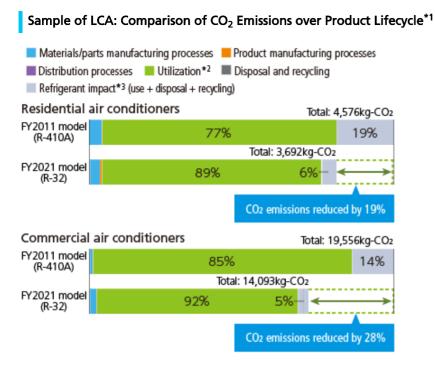
As a manufacturer of air conditioners doing business globally, Daikin makes it its mission to reduce energy consumption in order to provide people with safe and comfortable air and contribute to reducing global warming. To this end, we conduct quantitative environmental assessments for each product life cycle in order to develop products and services that use minimal electricity and to combine these in order to optimize the overall energy consumption of buildings.

Life Cycle Assessment

Focusing on Increasing Energy Efficiency and Reducing Refrigerant Impact during Product Use

We assess global warming impact of air conditioners using the life cycle assessment (LCA) method, which allows us to determine the environmental impact at each stage of a product's life cycle.

In the life cycle of an air conditioner, the majority of the greenhouse gas that is emitted occurs during product use stage, and refrigerants also represent a large impact. That is why we focus on reducing the impact of these two. In addition to incorporating inverter technology to reduce power consumption, we employ R-32, a refrigerant with low global warming potential, to achieve greater energy efficiency. In fiscal 2021, we reduced CO2 emissions from residential air conditioners by 19% and from commercial air conditioners by 28% compared to life cycle CO2 emissions 10 years earlier.



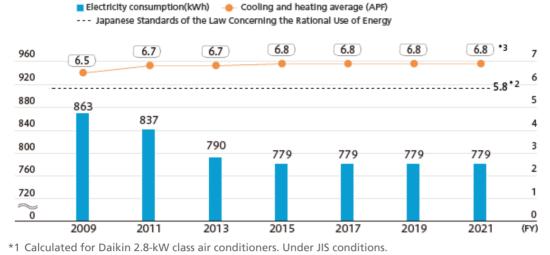
- *1 Based on Daikin standards for 2.8-kW class residential air conditioners and 14-kW class commercial air conditioners.
- *2 The seasonal power consumption is calculated in accordance with the standard of the Japanese Industrial Standards (JIS) for residential air conditioners and the Japan Refrigeration and Air Conditioning Industries Association for commercial air conditioners.
- *3 Refrigerant impact is calculated by obtaining the global warming potential per unit of weight, while factoring in the average leakage rate during the product use, disposal, and recycling stages.

Improving Energy Efficiency of Air Conditioners

Improving Annual Performance Factor (APF)^{*1} and Integrated Part Load Value (IPLV)^{*2}

In the life cycle of an air conditioner, the majority of the CO2 that is emitted occurs during product use. When we revised our voluntary environmental standards, we tightened our criteria for energy efficiency in the product use stage in order to improve the energy efficiency of products.

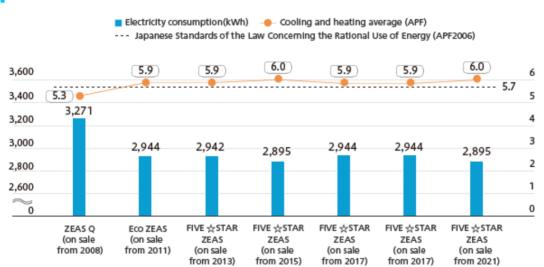
- *1 Annual performance factor (APF): The APF represents heating and cooling capacity per kWh over one year of use of an air conditioner under specific conditions. The higher the APF, the better an air conditioner's energy efficiency.
- *2 Integrated part load value (IPLV): The IPLV is an energy efficiency indicator obtained by calculating the weighted average of cooling COPs at four different capacities of machine operation. It corresponds to the APF of a packaged air conditioner. The higher the value, the better the actual energy efficiency of a product.



Electricity Consumption and Energy Consumption Efficiency (residential air conditioners)*1

*2 For products with prescribed measurements

*3 Measures were based on the JIS C 9612:2005 standard up to fiscal 2012; from fiscal 2013 they are based on JIS C 9612: 2013.



Electricity Consumption and Energy Consumption Efficiency (commercial air conditioners)*

* Calculated for Daikin 14.0-kW class air conditioners. Under conditions of the Japan Refrigeration and Air Conditioning Industry Association, and the Japanese Industrial Standards (JIS).

Developing Energy-Efficient Products

Note: All products and services below are examples of development for Japan.

Urusara X (R Series) Energy Efficient Residential Air Conditioners

The Urusara X (R Series) of energy efficient residential air conditioners released in October 2021 are residential air conditioners capable of heating and cooling while ventilating. In addition to the existing function of providing air supply, ventilation is added as a new feature that can be switched on according to need. For example, when the indoor temperature is higher than the outdoor temperature in summer, exhaust ventilation is performed, and after the hot air is exhausted, it automatically switches to air supply ventilation. Moreover, we have further enhanced energy saving and comfort with additional features such as the new high-efficiency dehumidifier that applies fine control of the dehumidification level, and Power Select limiting the maximum current.

These products have been awarded the Chairman Prize of Energy Conservation Center, Japan, in the products and business model category of the fiscal 2021 Energy Conservation Grand Prize.



Urusara X

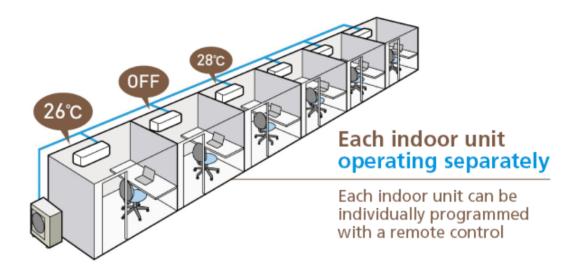
The machi Multi commercial multi-split type air conditioner for private or small rooms

The machi Multi commercial multi-split type air conditioner ideal for private or small rooms in offices or stores launched in October 2021 received the Minister of Economy, Trade and Industry Award, the highest award in the products and business model category at the 2021 Energy Conservation Grand Prize organized by the Energy Conservation Center, Japan (ECCJ).

There is growing demand for private or small rooms in offices and stores amid the worldwide trends of remote work and social distancing. However, conventional commercial air conditioning systems face the issue of increased electricity consumption when operating in spaces 10 m2 or smaller. The machi Multi helps to resolve this issue. The machi Multi's outdoor unit and 1.6 kW indoor unit with operating controls suited to small rooms reduce electricity consumption by around 50% compared to conventional models. System settings can also be set individually for each small room. At the same time, the machi Multi's outdoor unit features a more compact design that makes installation easier.

* Assumed load conditions: 1 small room of 10 m², cooling according to JIS standard conditions, and temperature set to 25 degrees Celsius.

Individual operation image of machi Multi



SkyAir series of air conditioners for shops and offices

The SkyAir series of air conditioners for shops and offices uses R-32 refrigerant with low global warming potential and reduces energy consumption during operation.

In the model change in October 2021, we added the refrigerant leak detection function using IoT. The capability of promptly detecting refrigerant leaks prevents release of refrigerants, which are greenhouse gases, into the atmosphere. In addition, the new model uses new joints which eliminate the need for special processing of the pipe connection, thereby reducing labor during installation.

Multi-Split Type Air Conditioner for Commercial Buildings with Industry-leading Energy Efficiency Performance

The new VRV6, a multi-split type air conditioner for commercial buildings, uses a complete microchannel heat exchanger to achieve high energy efficiency performance. The GREEN Multi-Split released in August 2018, is the first air conditioner for commercial buildings in the industry to adopt R-32 refrigerant with a low global warming potential. This product's global warming potential (GWP) multiplied by refrigerant quantity makes it possible to meet the Kigali Amendment target for 2029. The new model of VRV X released in April 2020 has an improved heat exchange efficiency in the microchannel heat exchanger, making VRV X top of the industry in the field of multi-split type air conditioners for commercial buildings in terms of energy saving performance. (Daikin research as of December 2019.)

In October 2021, we launched a new model of VRV6 to enhance system control linking air conditioning and ventilation. Active Te Control, which uses variable refrigerant temperature while maintaining a comfortable indoor temperature and humidity, reduces annual energy consumption by 7% compared to the existing system. Moreover, the energy-saving operation function capable of reducing energy loss through cooling with outside air with ventilation has reduced annual power consumption of the entire system by 2%. In addition, the model is also equipped with the refrigerant leak detection function using IoT.

Retrofit System Maintenance Service Makes Existing VRV Multi-Split Type Air Conditioners for Commercial Buildings More Energy Efficient

The Retrofit Maintenance Plan that Daikin has come up with is a service that reduces energy consumption from existing multi-split air conditioners for commercial buildings.

The Retrofit System entails replacing parts in the control panel, the air conditioner's brain, and the compressor, the machine's heart, and reducing power consumption by 13% a year. The replacement parts used with the system weigh less than one-third those normally used in upgrading VRV multi-split type air conditioners for commercial buildings, thereby it also contributes to saving resources.

Since the start of the service, we have been expanding the service application to include more models. We have added air conditioners featuring cooling-heating-free system, which enables simultaneous cooling and heating operation, on the list for expansion in fiscal 2021. As a result, we have expanded the number of existing units shipped which can utilize the service to 704,000.

Ene Focus a, automatic operating control service provides continuous support for energy conservation through remote monitoring

Released in December 2020, Ene Focus α , is a remote online monitoring service for air conditioners that enables customers to continuously achieve energy conservation in their air conditioner use through automation of energy-saving operation schedule that suits each user and regular suggestions made to improve operations based on the remote monitoring data. The controller and software needed for energysaving operation are provided as a subscription service, which eliminates the initial start-up cost and installation cost, while continuously achieving energy savings in air conditioner use.

This service received the Agency for Natural Resources and Energy Commissioner's Award in the products and business model category of the fiscal 2021 Energy Conservation Grand Prize.

Related information

Daikin energy management system Ene Focus α (available in Japanese only) (https://www.daikin.co.jp/fcs/ene_focus_a/)

Adopted R-32 Refrigerant in the 8-10 Horsepower Air-Cooled Small- to Mid-Sized Chillers

Daikin revamped the full model of small-medium air-cooled chillers with 8–30 horsepower, and released new products that use R-32 refrigerant with a low global warming potential in February 2021. Daikin is the first company in the industry to launch products in the same horsepower class using R-32.

In addition to adopting R-32 that have a lower global warming potential (GWP) compared to the conventional R410A refrigerant, we also drastically reduced the amount of refrigerant charge with our all aluminum microchannel heat exchangers, making our products top class in the industry in terms of both environmental and energy performance.

As the first company in Japan to launch air-cooled small- to mid-sized chillers using R-32 which are in high demand in factories, we are contributing to reducing environmental impact and promoting energy conservation through industrial application. This product can be combined with a compact air handling unit to improve ventilation volume, which has a growing need in the central air conditioner market amid the COVID-19 pandemic.



Air cooled heat pump chiller 10 horsepower (left), 30 horsepower (right)

LOW ENVIRONMENTAL IMPACT REFRIGERANTS

Low Environmental Impact Refrigerants

Working Toward Practical Application of Diversity of Next-Generation Refrigerants

The refrigerant conveys the heat between the indoor unit and the outdoor unit of air conditioners. Although HFC, currently the most widely used refrigerant in developed countries, has zero ozone depletion potential, it contributes to global warming if released into the atmosphere.

Daikin is accelerating the practical use of next-generation refrigerants that have less of an impact on global warming than conventional refrigerants. In the selection of refrigerants, we focus not only on their direct effect on global warming but also on their effects throughout the life cycle, including energy efficiency during air conditioner use. We make decisions based on all contributing factors: besides the environmental impact of the refrigerant itself, we look at safety factors such as flammability and toxicity, the cost and availability of the refrigerant, and the cost of producing air conditioners that use the refrigerant.



Daikin's View: Evaluation Index of Refrigerant Selection (common for all application)

Choosing the Best Balanced Refrigerant for Each Application to Mitigate Environmental Impact

Different characteristics are required of refrigerants, depending on whether they are used in, for example, residential or commercial air conditioners, water and space heaters, or refrigeration equipment. That is why we have spent years conducting research that will enable the selection of refrigerant that is ideal for each application. We have so far conducted research on next-generation refrigerants such as natural refrigerants and HFC refrigerants, and have considered their application in products.

Using the knowledge we have built up, we are providing information worldwide at events such as international conferences, academic conferences, and exhibitions, as well as through research paper presentations, on the global warming impact of refrigerants and measures against it.

Residential	Commercial, Industrial		
Residential Air Conditioners and Heat Pumps	VRF Systems	Refrigeration Systems	
R-32	R-32	R-32, R-407H, HFOs, HFO blends, CO ₂ , Hydrocarbon, etc.	
Residential Hot Water Supply Systems	Commercial Air Conditioners and Heat Pumps	Chillers and Heat Pumps	
R-32, CO2	R-32	R-32, R-1234ze(E), R-1233zd(E), Other HFOs, HFO blends	

Daikin's Refrigerant Direction

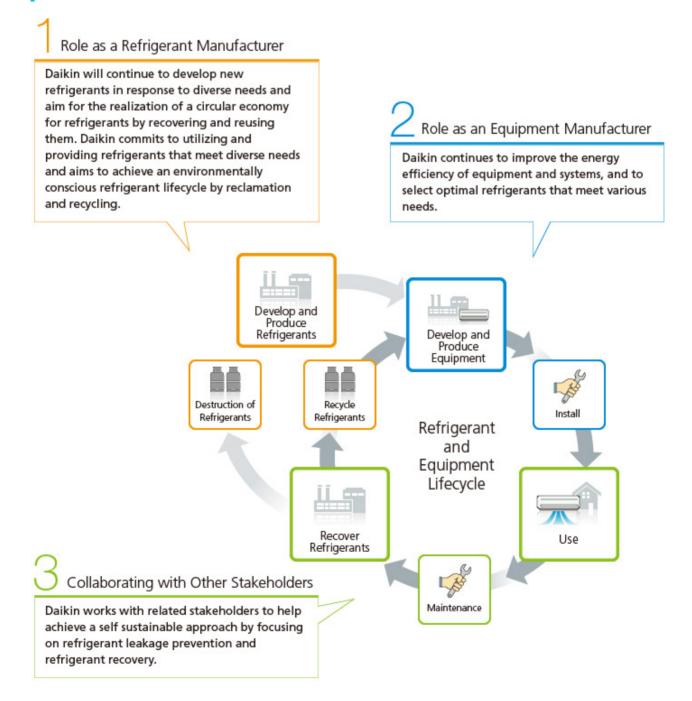
Note: Other refrigerants not listed above are also applied in products outside of Daikin's portfolio

Protecting the Ozone Layer

Focusing on Converting to Alternative Refrigerants and Recovering Fluorocarbons

HCFCs used to be the most commonly used refrigerant, but in the 1980s experts suspected it was depleting the ozone layer, so under the Montreal Protocol developed nations agreed to phase out its production in developed countries by 2020. Daikin's chemicals business has for years worked to mitigate ozone layer destruction by developing alternative refrigerants that do not deplete the ozone layer. In 1991 we began the first mass-production in Japan of HFC, a refrigerant with zero ozone depletion potential, and in 1995, under our air conditioner business we developed and began selling air conditioners that use HFC as the refrigerant.

Daikin's Action on Refrigerant and Goals



Kigali Amendment

In October 2016, at the 28th Meeting of the Parties to the Montreal Protocol, members voted to phase down the CO_2 equivalent total of HFCs, which, despite not harming the ozone layer, have a high GWP. With this, HFCs, which were covered by the Paris Agreement adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) but were not part of the Montreal Protocol, thus became part of the Montreal Protocol, due to the success of efforts to completely eliminate HCFCs. There is also a regulation on the CO_2 equivalent total of production and consumption of HFCs. This decision is called the Kigali Amendment, after the Kigali, the capital city of Rwanda, where the conference was held. The Amendment had exceeded the threshold for ratification by at least 20 countries at the end of 2017, thus it came into effect on January 1, 2019.

A major point of the Kigali Amendment is that it is not meant to phase out HFCs but rather phase down the production and consumption of HFCs based on their GWP value. The amount of HFC will not be restricted but rather reduced in terms of total GWP of CO_2 equivalent (weight of HFC in Kg x GWP value). By using lower GWP HFCs, it is possible to maintain or increase the use amount of HFC itself while reducing the overall global warming impact. In enacting the Kigali Amendment, developed countries are implementing reductions based on the common phase-down schedule starting in 2019. The Amendment divides developing countries into three groups, which plan to implement reductions individually.

Upon the introduction of new refrigerants, the Amendment requires an increase in efficiency of air conditioners in addition to a phasing down of HFCs in terms of total GWP.

Daikin is pursuing the following measures in response to the Kigali Amendment.

- 1. Daikin welcomes the Kigali Agreement for an HFC phase down in CO₂ equivalent under the Montreal Protocol.
- 2. The main tenet of Daikin's policy is "diversity of refrigerants." And there is no ideal "one-size-fits-all" refrigerant solution for all applications, because many criteria need to be assessed such as the ODP and GWP value of the refrigerant and safety, energy consumption, availability, affordability, resource efficiency, recyclability, recoverability and total global warming impact of the equipment.
- 3. Daikin has identified R-32 as a very beneficial refrigerant for single and multi-split air conditioners, packaged air conditioners and heat pumps. Daikin believes that the transition to R-32 will help to meet both the HFC phase down schedule and the HCFC phase out schedule. Daikin is now in the process of evaluating and identifying suitable refrigerants for other applications.
- 4. To mitigate future global climate change, it is important to take a "Sooner the Better" approach. Early implementation is a key to the further reduction of future impact. As soon as the most balanced and feasible solution for an application is found, Daikin will commercialize and disseminate the technology to contribute to the efforts to mitigate global climate change.
- 5. Also, while taking a "Sooner the Better" approach, as a refrigerant manufacturer, Daikin will continue to seek the "optimal refrigerant" for every type of application for further mitigation of global climate change.

Related information

➤ Feature of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming 1 (2.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2015-environment-pdf.pdf)

Mitigate the Global Warming Impact

Promoting the Use of R-32, a Refrigerant with Lower Global Warming Potential

In November 2012, Daikin became the first company in the world to launch residential air conditioners using R-32 (HFC) for the Japanese market; R-32 has just one-third the global warming potential of conventional R-410A (HFC) refrigerant. In 2013, we released residential air conditioners using R-32 in India. Since then, we have been expanding these R-32 air conditioners in other countries and increasing products using R-32.

To encourage the adoption of R-32 globally and to help mitigate global warming, Daikin began offering patents related to the manufacture and sales of air conditioners that use R-32 free of charge to companies worldwide.

In addition, Daikin provides technical support in emerging countries by cooperating with governments and international organizations. We provide information and technical support through international conferences, academic conferences, and papers on the impact and countermeasures in relation to refrigerants and global warming. For example, in India, Thailand, and Malaysia, seminars were held for government officials and air-conditioning industry groups to promote understanding of R-32, and we conducted training for local air-conditioning installation and service technicians on the appropriate handling of R-32. In Mexico and Brazil, Daikin was commissioned by the Japan International Cooperation Agency (JICA) to begin projects, including the distribution of air conditioners with R-32 refrigerant and initiatives to create energy-efficient markets.

As a result, Daikin has sold more than 35 million R-32 air conditioners in over 120 countries. It is estimated that, including the products of other companies, the worldwide R-32 air conditioner market exceeds 190 million units, whose contribution to CO2 emissions reduction is estimated at 300 million tons (calculated by Daikin as of December 2021).

Patent Non-Assertion Pledge for Equipment Using Low Global Warming Potential Refrigerant R-32

As a result of a series of evaluations and reviews based on international discussions, Daikin has identified R-32, which has a global warming potential about one third that of conventional refrigerants, as an optimal refrigerant for today's residential and commercial air conditioners. As such, Daikin has been promoting the spread of R-32 worldwide. Daikin has made 93 applied patents for R-32 air conditioners related to the manufacture and sale available to emerging countries in 2011 and to the rest of the world in 2015. In July 2019, we made a non-assertion pledge to offer free access to around 180 patents for R-32 air conditioners related to the manufacture and sales. In July 2021, this pledge was further extended to include 123 more patents.

Moreover, in December 2019 we participated in WIPO GREEN^{*} and registered these patents in WIPO GREEN's database in March 2020. By promoting the quick spread of R-32 through our participation in this mechanism that encourages technology sharing and mutual utilization by introducing sustainable technologies broadly to the world, we will help to mitigate environmental impact of refrigerants around the world.

* One organization of the UN's World Intellectual Property Organization (WIPO) with the mission to speed up the adoption of solutions for environmental issues.

Development and Verification of New Technology Promoting the Spread of CO₂ Conveni-Pack

Daikin began selling Conveni-Pack in 2007. This system combines air conditioning and refrigerating functions into one system aimed at convenience stores and supermarkets. Conveni-Pack is a system that uses Daikin's proprietary inverter and refrigerant control technologies to recover waste heat from refrigeration display cabinets for use in heating. Compared to conventional methods using separate air conditioning and refrigerating functions, Conveni-Pack is able to reduce annual electricity consumption by around 50% under the climate conditions of Europe.

 CO_2 Conveni-Pack uses CO_2 refrigerant with a global warming potential of 1 in place of the conventional R-410A refrigerant. In January 2020, Daikin began demonstration testing of CO_2 Conveni-Pack using a subsidy^{*} from the EU. The testing will cover a three-year plan and involve verifying the safety and efficiency of the system after steadily rolling it out at retail shops in Belgium, Germany and Spain.

* Projects approved for the LIFE Programme implemented by the EU for the environment and climate action receive a subsidy to defray 55% of the their costs.

Related information

- > Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 1 (236KB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/ press_20190701-pdf.pdf)
- Feature of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming 1 (2.0MB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/ feature2015-environment-pdf.pdf)
- Feature of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy

(https://www.daikin.com/csr/feature2019/01)

- > Feature of Fiscal 2021: Environment—Challenge to Achieve Carbon Neutrality (Page 624)
- > Dialogue with Governments and Industry Groups (Page 502)

Response to Climate Change

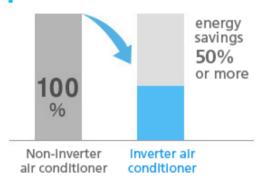
PROMOTING THE USE OF INVERTER PRODUCTS

To reduce global warming worldwide, it is crucial to spread the use of highly energy efficient products, such as those using inverters, to all countries. Daikin is developing affordable air conditioners for Southeast Asian countries, where market penetration is still low. We are also working to support the creation of a mechanism to assess the energy performance of inverter models in Southeast Asia, Latin America, the Middle East and other areas.

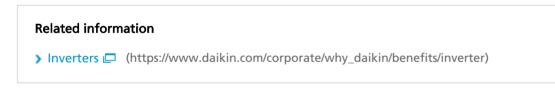
Inverter Technology

Can Reduce Power Consumption by 50% or more

Inverters are frequency conversion devices that control electrical voltage, current, and frequency. Inverters precisely control the compressor motor, the heart of an air conditioner. Furthermore, in addition to having modified conventional motors and heat exchangers, inverter air conditioners reduce by 50% or more less energy than non-inverter models.



Comparison of energy consumption (Non-inverter air conditioner 100%)



Promoting the Use of Inverter Products

Spreading the Use of Inverter Products Worldwide

The Daikin Group aims to spread the use of highly energy-efficient inverter products so that consumers use less energy during air conditioner operation and thus emit less CO₂.

Inverter products are an effective means to reducing electricity consumption, but they have been slow to achieve market penetration among general consumers due to their high prices. In 2008, Daikin partnered with China's largest air conditioning manufacturer. This partnership led to joint production, which has made it possible to manufacture inverter products with lower prices and a more highly efficient manner.

In fiscal 2014, we developed an inverter air conditioner at a relatively low price especially for the Asian cooling-only air conditioner market. Such products are achieving greater market penetration due to factors including stricter energy efficiency standards and rising energy awareness among the general public stemming from rising electricity prices in Southeast Asia.

We have also worked on creating mechanisms to evaluate their energy-efficiency performance. In the past, the most common index for evaluating an air conditioner's energy-efficiency performance was Coefficient of Performance (COP), under which the amount of energy consumed was calculated at a fixed efficiency without adjusting for air temperature changes. However, COP cannot be used to properly evaluate the performance of inverter products, which operate at an optimal level depending on the changes in ambient temperature. Therefore, Japan's air conditioner industry has led calls for a switch to using Annual Performance Factor (APF), and since 2013 APF has been used in ISO standards.

In emerging countries, where APF is starting to come into use, Daikin is working with governments and industry groups to get APF adopted in Latin America, the Middle East and other areas as the industry standard and to introduce indicators and standards as well as create energy labelling systems as part of support for creating evaluation standards.

Inverter Products as Percentage of All Residential Air Conditioners Worldwide (FY2021)

Market	Inverter percentage	Market	Inverter percentage	
Japan	100%	Brazil	69%	
EU	100%	India	63%	
Australia	99%	Saudi Arabia	35%	
China	98%			

Source: BSRIA World Air Conditioning Overview 2022

Related information

- > Feature of Fiscal 2021: Environment—Challenge to Achieve Carbon Neutrality (Page 624)
- Feature of Fiscal 2018: Environment—Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies (https://www.daikin.com/csr/feature2018/01)
- > Dialogue with Government and Industry Groups (Page 502)

Response to Climate Change

PROMOTING THE USE OF HEAT-PUMP TYPE SPACE AND HOT WATER HEATERS

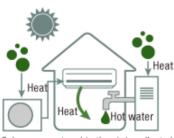
In recent years, growing environmental awareness has led to the spread of highly energy-efficient space and hot water heaters. In Europe in particular, which has a relatively cold climate, space and water heaters account for more than 80% of household energy consumption, thus there is an ongoing shift from conventional combustion-heat source equipment to heat-pump heating that emits less CO₂.

Daikin is engaged in the development and promotion of hot water heaters and space heaters using highly energy-efficient heat pump technology while striving o increase comfort and reduce CO₂ emissions.

Heat-Pump Technology

Greatly Reduced CO₂ Emissions Compared to Burning Fossil Fuels

The heat pump system is a technology that cools the air and heats water by extracting the heat stored in the air. Compared to carrying out space and water heating using methods in which fossil fuels such as gas, oil, and coal are directly burned, heat pump systems greatly reduces CO_2 emissions.



Heat-Pump: Mechanism

Solar energy stored in the air is collected using a heat pump and used for air conditioning and water heating.

Related information

> Heat Pumps 🗖 (https://www.daikin.com/corporate/why_daikin/benefits/heatpump)

Promoting the Use of Heat-Pump Type Space and Hot Water Heaters

Bringing More CO₂-Reducing Heat-Pump Type and Gas Combustion Type Space and Hot Water Heaters to the European Market

Daikin is engaged in the development and promotion of hot water heaters and space heaters using energyefficient heat pump technology.

Policies on the use of renewable energy have been promoted in Europe since late 1990s. In January 2009, the heat pump was recognized in the EU as technology that captures renewable energy and heat pump heaters are being recommended as part of this target. In Europe, which uses a particularly large amount of heating, decarbonization efforts are accelerating with the European Green Deal of 2019. A number of subsidy programs and tax refunds have been announced, leading to the rapid growth of the heat-pump market there.

Daikin released Daikin Altherma, a heat-pump space and water heater, in Europe in 2006. Since then, we have steadily expanded the product lineup based on the climate and needs of every European country. For example, Daikin Altherma 3H HT released in fiscal 2020 for cold regions can supply hot water without use of electric heater even in outdoor temperatures as cold as negative 15 degrees Celsius. It is the only product in the industry that can replace combustion heating with heat pump without modifying an existing home. In fiscal 2021, we released a smaller capacity model.

Sales of Altherma have increased 4.5-fold since fiscal 2014 thanks to our fine-tuned services including installation and maintenance.



Daikin Altherma heat-pump space and water heater for the European market

Product lineup of heat-pump space and water heaters in Europe

Items	Details and results of activities	
2006	Launch of Daikin Altherma heat-pump space and water heater in the European market	
2013	Began technical examination at Daikin Asahikawa Laboratory (Asahikawa, Hokkaido) to develop a system adaptable to cold climates worldwide	
2014	Sales of hybrid products combining heat pumps and boilers for extremely cold regions	
2018	First in the industry to release models using R-32, a refrigerant with low global warming impact	
2019	Development of a R-32 geothermal heat source type suited to cold regions	
2020	Expansion of models that enable easy plumbing work on site Introduction of R-32 in the large capacity class of Monoblock which requires no refrigerant piping connection process	
2020	Launch of a R-32 high temperature discharge type that can replace oil-fired boilers in existing building markets	
2021	Released Water Plumbing Kit, which simplifies on-site plumbing construction	

Increase proposals of heat-pump space and water heaters in the North American market

In North America, mainstream air conditioners are the ducted type, which has ducts that run through the ceilings and sends air to an entire building from an indoor unit. The majority use gas combustion as the heat source, while the ratio of heat pumps in the market is about 30%. Amidst this background, in 2021 the US government has announced an environmental policy that aims to achieve net-zero greenhouse gas emissions. The momentum for energy conservation is anticipated to rise even in the market of space and hot water heating.

To meet this demand, Daikin will focus its efforts on proposing and promoting products using heat pumps. Our first approach began with the West Coast and Northeastern states that are environmentally advanced, starting with activities to promote understanding of heat pumps.



The Daikin FIT Heat Pump, a residential heat pump for the unitary market sold in North America

Promoting Residential Water Heaters and Floor Heaters in Japan

In Japan, water heaters account for 25% of all residential electricity consumption, thus there is a need to switch over to systems with minimal environmental impact to control global warming.

Daikin's heat-pump technology is incorporated into ECOCUTE heat-pump water heaters and Hot Eco-Floor heat-pump hot-water floor heaters. We have continued to update models to improve energy savings, such as by incorporating the ability to communicate with a home energy management system (HEMS), and promoting the use of renewable energy. On the other hand, we have commercialized replacement heat source units that can improve energy savings on existing units through partial upgrades.

In fiscal 2021, we increased the capacity of the heat exchanger on the outdoor units of household ECOCUTE models, which improved the annual performance factor (APF) by 0.2 to 0.3 points compared to conventional models. Moreover, in December 2021, we launched the industry's first household heat-pump water heater that boils during daytime^{*} using excess solar power. In the future, we will develop products with even greater environmental features, such as equipment with the function of boiling time management with prediction of the amount of solar power generation.

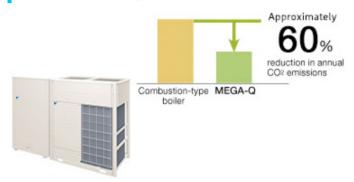
* The ECOCUTE model automatically boils hot water daily to be stored in the hot water tank.

Promoting Highly Energy-efficient Products Including the MEGA-Q Large-Scale Heat-Pump Hot Water System in the Japanese Commercial Market

In Japan, we are marketing space and hot water heaters for the commercial market as well using highly energy efficient heat-pump technology.

For example, we began selling a new model of the commercial heat-pump water heating system (MEGA-Q) for large-scale facilities such as hotels and hospitals. Compared to gas-combustion type, the updated model in 2012 releases about 60% fewer CO₂ emissions and is able to reduce running cost by about 60%. Facilities like hospitals and golf courses require changing volumes of hot water daily, and Daikin meets this challenge with a hybrid hot water supply system that provides hot water during base periods with MEGA-Q and that switches to boiler operation during peak periods. In addition to commercial applications such as these, we will come out with products for processes in factories that must urgently respond to environmental requirements.

Comparison of Annual CO₂ Emissions: MEGA-Q Large-Scale Commercial Heat-Pump Water Heating System versus Combustion-Type Boiler



Related information

- Feature of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating (https://www.daikin.com/csr/feature2017/03)
- > Feature of Fiscal 2021: Environment—Challenge to Achieve Carbon Neutrality (Page 624)
- Commercial heat-pump hot water heaters (available in Japanese only) (http://ec.daikinaircon.com/ecatalog/DKCB028/?ID=airconitiran)
- Danzen Heat heat-pump heaters (available in Japanese only) (http://ec.daikinaircon.com/ecatalog/DKCB032/?ID=airconitiran)

ENERGY-EFFICIENCY THROUGH FLUOROCHEMICAL PRODUCTS AND OIL HYDRAULIC PRODUCTS

Fluorochemical Products

Fluorine Characteristics Help Improve the Performance of Lithium-Ion Batteries

We offer gasket and binder materials that utilize the characteristics of fluorine for use in lithium-ion batteries. In addition, we are also undertaking development of binders that do not rely on solvents as a next-generation material which could lead to reduction of environmental impact.

As the use of renewable energy encouraged is seen in policies of each country and region globally, lithium-ion batteries as power storage system that is indispensable has attracted attention. Daikin aims to contribute to reduction in CO₂ emissions through development and provision of outstanding materials.

Investment in OCSiAl S.A. to Develop Applications for EV Battery Materials

Daikin invested in OCSiAl S.A., a start-up company in Luxembourg, in July 2021.

OCSiAl is the world's largest manufacturer of single wall carbon nanotubes. Since 2018, Daikin has been working with OCSiAl on developing applications for lithium battery materials and developing composite materials in the fluorochemical business. We have been developing materials that enhance the electrical capacity and output of lithium batteries by harnessing the high electrical conductivity of single wall carbon nanotubes. Our investment in the company aims to further solidify our collaboration and accelerate new product development, such as EV battery materials, and expand potential applications globally.

Development of Next-Generation Refrigerants for Electric Vehicles (EV)

Daikin has been developing next generation refrigerants for automobile air conditioning systems.

Heat pumps are gradually being used in battery-powered electric vehicles (BEV) since it is difficult to utilize waste heat from air conditioners. However, the existing R-1234yf refrigerant has a limited heating performance when the outside temperature is low, and must be used in conjunction with an electric heater, which results in loss of driving range.

The new refrigerants under development are capable of heating when outside temperature is low without the use of an electric heater, which can extend the driving range of BEV by up to 50%. It also features a small global warming potential at under 1. Going forward, we will continue to evaluate its performance with the aim to eventually introduce it to vehicles.

Refrigeration Equipment Lineup with Lower Global Warming Potential Refrigerants

Daikin is gradually expanding product lineup of refrigerants with a lower global warming potential (GWP) than the R-404A refrigerants used in many conventional refrigeration equipment.

In addition to our R-407H refrigerant developed in-house, we also released the R-448A product manufactured by Honeywell International Inc. in Japan in 2020. In 2021, we plan to release R-455A, made by the same company, in Europe, which has cleared the GWP 150 or less stipulated by the European F-gas regulations. Additionally, we are also conducting in-house development of next generation refrigerants with zero GWP for air conditioners use.

Related information

> NEOFLON ETFE EP-Series 🗖

(https://www.daikinchemicals.com/solutions/products/fluoropolymers/neoflon-etfe.html)

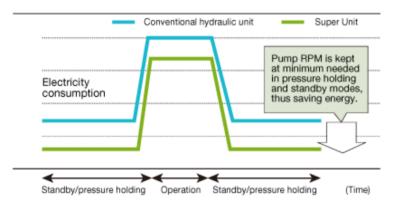
Oil Hydraulic Equipment

Energy-Efficient Hybrid Hydraulic Super Unit Energy Savings and Lower CO₂ Emissions in Factories

Daikin also continuously pursues greater energy efficiency for hydraulic units for factory production lines.

The energy-efficient hybrid hydraulic Super Unit employs the same motor inverter technology that is used in Daikin's energy-efficient air conditioners. The Super Unit determines the load on the machine, depending on whether it is in standby, operation, or pressure holding mode, and electronically controls the pump at the necessary RPM. The result is energy savings of more than 50% in pressure holding mode (compared to Daikin piston pumps). For use on presses, vulcanizers, casting machines, and a wide range of other industrial equipment, it contributes to dramatic energy savings and lower CO₂ emissions. We introduced new models and expanded the lineup in 2014. In 2017, we launched two for 37 kW models compatible with large machines that consume large amounts of power.

The Super Unit is widely used on industrial equipment around the world and has been highly rated for its superior precision and energy efficiency.



Electricity Consumption of Super Unit and Conventional Hydraulic Unit

EcoRich Energy-efficient Hydraulic Unit Helps Reduce Energy Consumption

EcoRich was developed in 1999 and was the world's first product to combine hydraulics technology and air conditioner motor inverter technology. It achieved approximately 50% lower energy consumption compared to Daikin's piston pump. In 2016, this product underwent a model change with the incorporation of high-efficiency IPM motor. Among its many features were a 30% decrease in energy consumption over the previous model and a 5°C reduction in oil temperature rise.

In 2018, we released a new EcoRich series, developed without a transformer, with 400 V specifications. It can be connected directly to power sources in Europe and China and does not require the installation of a transformer.neup.

9 Series Oil Cooling Unit Product Lineup Expanded to Meet Extensive Range of Needs

In machine tools, Daikin's Oil Cooling Unit makes possible detailed temperature control of the lubricating and cooling oil, which has a major effect on the precision of the work. Daikin's 9 Series Oil Cooling Unit allows temperature adjustment to $\pm 0.1^{\circ}$ C. In addition, with inverter control and the most advanced compressor, it offers 45% greater energy efficiency than conventional on/off controllers. In fiscal 2020, we left the 9 Series as is with its high energy efficiency, and released the 10 Series, a compact, light-weight, transformerless 400V model, and expanded our product lineup in fiscal 2021.

At the same time, we are also developing some models in the oil cooling unit lineup in a water-cooling type. This style of product eliminates heat outside of the factory using cooling water in order to eliminate waste heat from general air-cooling-type Oil Cooling Units inside a factory. We released some models in fiscal 2018, and in fiscal 2019, we expanded our lineup of coolant-cooling type products. Furthermore, in 2020, we also released products for oil cooling, as well as added more water cooling type products to our lineup.



Transformerless 400V Oil Cooling Unit

Related information

- > SUPER UNIT
 (https://www.daikinpmc.com/en/special/sut/)
- > ECORICH
 (https://www.daikinpmc.com/en/special/ecorich)
- > Oil Cooling Unit 🗖 (https://www.daikinpmc.com/en/special/oilcon/)
- > Oil Cooling Unit 10 Series 400V Model 🗖 (https://www.daikinpmc.com/en/special/oilcon/10series/lp/)

Response to Climate Change

REDUCING GREENHOUSE GASES DURING DEVELOPMENT, PRODUCTION AND TRANSPORTATION

Reducing Greenhouse Gas Emissions During Development and Production

A New Target for Total Emissions Set For Fiscal 2025

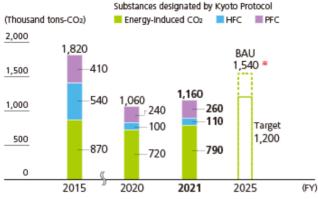
Daikin strives to reduce greenhouse gas^{*} emissions during the product development and production processes.

Daikin emits two kinds of greenhouse gases during development and production processes: CO₂ from energy use, and fluorocarbons. We have set a new goal in fiscal 2021 for reducing greenhouse gas emissions during the product development and production processes in fiscal 2025 by 1.2 million tons-CO₂ (34% reduction in comparison to fiscal 2015). In fiscal 2021 our greenhouse gas emissions totaled 1.16 million tons-CO₂ (36% reduction compared to fiscal 2015). As for our energy initiatives in fiscal 2021, we purchased green electricity at Daikin Applied Americas, Inc. in the U.S. and expanded solar power generation system in Thailand and Malaysia with plans to introduce it in China.

In addition, regarding fluorocarbons, we have seen results with the HFC measures launched by the air conditioning divisions and improvement of PFCs recovery rate at Daikin America, Inc. in fiscal 2021.

* CO₂, CH4, N2O, and four fluorinated gases (HFCs, PFCs, SF6, and NF3), which are considered the main causes of global warming, are subject to regulation based on the United Nations Framework Convention on Climate Change.

Greenhouse Gas Emissions (during development and production)



* Predicted values for fiscal 2021 and onward assuming no measures are taken



Reducing Energy-Induced CO₂ in Development and Production

CO₂ Emissions in Fiscal 2021 Totaled 790,000 tons-CO₂

The Daikin Group as a whole is taking a systematic approach to reduce energy-induced CO_2 by improving energy efficiency during development and production processes.

In fiscal 2021, CO_2 emissions was 790,000 tons- CO_2 . Following from the previous fiscal year we have continued to visualize energy usage at each location, minimize use, and improve low pressured compressed air in fiscal 2020.

In addition, we proceeded with our measures including expanding the use of green energy in the United States. Nonetheless, the total emissions increased from the previous fiscal year as a result of increased energy consumption following increased production due to the economic recovery.

Reducing CO₂ Emissions during Transportation

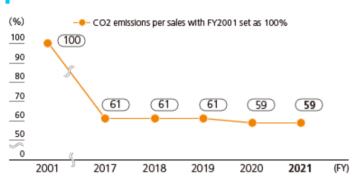
CO₂ Emissions per Sales Reduced by 4.4% Over Fiscal 2020

We have set a goal of using logistics processes to help reduce CO_2 emissions equivalent to 5% of the actual CO_2 emissions in transportation in fiscal 2020 by fiscal 2025. We are doing so by expanding modal shift which involves switching from trucks to trains and ferries as well as pursuing logistics that is environmentally conscious, including use of energy-saving trucks.

In fiscal 2021, we started the operations of the Chubu Central Distribution Center in response to increased sales in the Chubu region. This centralized the multiple distribution bases located in Chubu and enhanced transportation efficiency by eliminating unnecessary transfers between bases.

The modal shift conversion rate in fiscal 2021 was 22%.

CO₂ Emissions per Sales from Transportation (Air Conditioning Divisions)



Reducing Other Environmental Impact during Transportation

- We solved the driver shortage by reducing the truck waiting times and loading times and thus the amount of work hours.
- At production bases in Japan, we are promoting the engine replacement of forklifts with electric models.
- We practice start-stop for all vehicles on the premises including vehicles of our transport partners.
- We are engaged in reducing CO₂ emissions through improved transportation efficiency and decreased packaging volume, and reducing electricity consumption through shorter working hours.
- We are working with overseas development bases on promoting material-saving packaging designs in reducing packaging volume.
- We revised the warehouse layout both in Japan and overseas to boost work efficiency
- We have introduced an IT system that visualizes the shipment status of imported items. Delivery drivers in Japan using smartphones to directly confirm their estimated arrival time reduced the number of steps in communication between multiple departments previously required for inquiries or contacts.

Using Renewable Energy

Using More Solar, Wind, and Hydro Power

Daikin is working to expand the use of renewable energy such as solar, wind, and hydro powers with the target of increasing the global renewable energy usage rate to 10% in 2025.

In fiscal 2015, we installed tracking solar panels at the Technology and Innovation Center (TIC), Daikin's R&D base, which helped the solar power system generate 7,230 MWh a year at development and production bases in Japan and overseas. This is equivalent to CO_2 emission reductions of approximately 4,000 tons- CO_2 (estimated by Daikin).

Moreover, in Europe, factories and offices at Daikin Europe N.V., AAF (UK), Daikin Device Czech Republic s.r.o., and Daikin Applied Europe have started using green electricity.

In Asia and Oceania, we are installing large scale solar panels at Daikin Industries (Thailand) Co., Ltd., Daikin Compressor Industries, Ltd. and Daikin Airconditioning India Pvt. Ltd.

In fiscal 2021, we expanded the use of green electricity in the U.S. Following the green power purchase by Goodman Manufacturing Company, L.P.* the previous fiscal year, Daikin Applied Americas, Inc. also started to purchase green power. Moreover, we started to expand solar power generation in Thailand and Malaysia, as well as moved forward with plans to introduce solar power generation in China.

* Renamed Daikin Comfort Technologies North America, Inc. as of April 1, 2022.



Solar power generation system has panels that move to track the sun's position

Responding to Climate Change PROVIDING SOLUTIONS

Population and economic growth in emerging countries is spurring urbanization worldwide, and energy demand in cities is expected to continue increasing. These cities will require air conditioning to realize comfortable living spaces and deal with the effects of increasing temperatures.

Driven by proprietary inverter and refrigerant technologies, Daikin's air conditioners help control environmental impact, and not just through individual air conditioners but also via building-wide energy solutions. Through optimal management and demand response measures that combine air conditioning, peripheral equipment, buildings, and renewable energy, we are contributing to solving energy problems brought on by urbanization. In addition, through the creation of cyclical systems and new energy sources, we are also contributing to the creation of sustainable cities.

Optimal Energy Management for Buildings

Initiatives to Realize Net Zero Energy Buildings (ZEBs)

Daikin is providing building-wide energy solutions that use the company's technologies to solve energy problems. One way we are doing this is through net zero energy buildings (ZEBs).

A ZEB is a building that achieves dramatic energy savings (at least 50% greater than standards) while maintaining a comfortable air environment. There are three categories: ZEB, Nearly ZEB, and ZEB Ready^{*} depending on the energy efficiency rate. Normally, ZEB requires improving the performance of a building's outer layer, using passive energy, incorporating high-efficiency equipment such as air conditioners, ventilation, lighting, and elevators, and using advanced control. Daikin has accumulated knowledge and advanced technology on LED lighting control as well as air conditioners and ventilation systems and their controls. It is possible to achieve ZEB using our unique system that is versatile and popular for application in existing small-and medium-sized buildings with high energy-saving potential as well as new buildings.

In 2015, , we carried out ZEB demonstration testing at our R&D base, the Technology and Innovation Center (TIC), a newly-built large facility. In 2017 at the Daikin Industries, Ltd. building in Fukuoka (Fukuoka Building), we received ZEB Ready Distinction for a small- and medium-sized renovated building. In addition, we registered as a ZEB planner in response to call for applications by the Sustainable open Innovation Initiative in order to accelerate our ZEB planning business while leveraging the success we have had so far to provide solutions that increase the number of ZEB buildings. Going forward, we are focusing on making proposals with ZEB, as well as collaborate on projects with general contractors advanced in making ZEBs in Japan and overseas.

* ZEB Ready: A building that consumes at least 50% less energy compared to normal building energy standards.

All sales companies of the Daikin Group have acquired the ZEB Planner status

Following the trend toward carbon neutrality, there is increased attention in ZEB. Daikin will seize this momentum to accelerate its penetration by working together across the entire Group. We will launch the ZEB Promotion Project and appoint personnel in charge of promotion at each sales company and Daikin Airtechnology & Engineering Co., Ltd., while sharing the know-how that Daikin Industries, Ltd. has accumulated over the years with each company to meet the needs of both new construction and existing buildings with an expanded system.

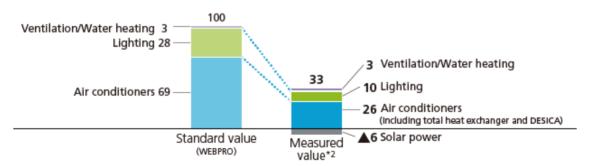
Time	Activity & results	Third-party evaluation and recognition
November 2015 (construction completion)	Achieved ZEB for new, large-scale building at our TIC	 ZEB LEED® Platinum certification (July 2016) CASBEE certification in the S class (evaluation agency: Institute for Building Environment and Energy Conservation (IBEC)) ASHRAE Honors and Awards (October 2017)
May 2017	Received ZEB Ready Distinction in the renovation of Daikin Industries, Co., Ltd. Fukuoka Building for small- and medium-sized buildings Features: Transforming a 20-year old building (constructed in 1996) with high-efficiency air conditioner and ventilation system and control system for AC and LED lighting	 ZEB Ready Director-General Prize of Agency for Natural Resources and Energy, fiscal 2018 Energy Conservation Grand Prize
October 2017	Registered as a ZEB planner	

Results of ZEB related activities by Daikin

Time	Activity & results	Third-party evaluation and recognition
January 2019	Received ZEB Ready Distinction for a building owned by Anabuki Kosan Inc. Features: Daikin provided energy-saving consulting and ZEB support. First tenant building in Japan to achieve the distinction with over 30-years of age.	 ZEB Ready Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2020 Energy Conservation Grand Prize, Energy Conservation Case Category
March 2020	Esaka Building owned by Daikin Industries, Co., Ltd. received ZEB Ready Distinction Features: A 67% reduction in annual energy consumption compared to the standard value [*] . Received both ZEB and CASBEE Wellness Office certification for energy conservation as well as taking workers helath into consideration in the refurbishing of the small- and medium-sized building.	 ZEB Ready Received certification of CASBEE Wellness Office A class (evaluation agency: Institute for Building Environment and Energy Conservation (IBEC))
March 2022	All of Daikin Group's sales companies have registered as ZEB Planners.	

* Standard value: Energy consumption value of common buildings of the same size (reference building).





*1 ZEB assessments do not include electricity consumed via wall sockets.

*2 Includes operation time correction (actual operation from June 2017 to May 2018).

Task and Ambient Air Conditioning System Adopted by a Rinkai Factory Reduces Electricity Consumption by 74.9%

The Sakai Plant's Rinkai No. 1 Factory, which commenced operations in June 2018, is working to balance comfort and energy efficiency in order to resolve issues concerning air conditioning system for the factory's large space. The factory has been able to reduce electricity consumption during the first year after it began operating by 74.9% compared to the use of a factory-wide air conditioning system.

Conventionally, the air conditioning systems used for large spaces at plants were ambient (zone) air conditioning and task (spot at workers) air conditioning. However, these systems of air conditioning have advantages and disadvantages in terms of comfort and energy efficiency, making them the common trouble of people working at plants. Therefore, at Rinkai No. 1 Factory, we introduced a task and ambient system that incorporates the optimum air conditioning monitor system D-BIPS is used to speed up energy efficiency improvements and for the optimum controls. These initiatives earned the factory the Chairman Prize of Energy Conservation Center, Japan, at the fiscal 2019 Energy Conservation Grand Prize.

Using the knowledge gained from Rinkai No. 1 Factory, we will now roll out energy conservation improvements for large spaces at other plants and factories in the future.

Green Building Certification

Daikin Bases Worldwide Certified as Energy-Efficient Buildings

Daikin has been busy working toward green building certification at its worldwide bases with facilities whose design, construction, and operation are in harmony with the environment and society.

In July 2016, the Technology and Innovation Center earned LEED® Platinum certification. It has also earned the highest certification (S class) in Comprehensive Assessment System for Built Environment Efficiency (CASBEE), a highly recognized system in Japan for the comprehensive assessment of the environmental performance of buildings, districts, and cities. CASBEE was created by the Institute for Building Environment and Energy Conservation (IBEC). In October 2017, we were selected in the AHSRAE Honors and Awards (sponsored by the American Society of Heating, Refrigerating and Air-Conditioning Engineers, ASHRAE) for developing a revolutionary, highly energy-efficient system and for reducing environmental impact and providing a comfortable indoor environment that matches Japan's climate needs.

In addition, 19 buildings that have Daikin products such as VRV multi-split type air conditioners and systems installed earned LEED® Platinum certification, showing that we are contributing to the worldwide certification of green buildings.

In fiscal 2020, Shenzhen McQuay Air Conditioning Co., Ltd. received the LEED® Gold certification, as well as the Three Star Green Building Design Label Certificate.

City-Wide Optimal Energy Management

Energy Efficiency throughout Entire Cities

Between fiscal 2014 and 2016, along with Hitachi, Ltd. and Mizuho Bank, Ltd., we participated in the Smart Communities Project in Greater Manchester, UK, implemented by Japan's New Energy and Industrial Technology Development Organization (NEDO). Under this project, the heating systems were converted to the heat-pump space and water heater, Daikin Altherma, models to improve energy efficiency in 550 homes. We also conducted a demonstration project for a potential business model using automated demand response technology^{*1}, in which the air conditioner operation is controlled at multiple residences, and excess electricity is generated.

In fiscal 2019, we continued to participate as a member of a consortium formed by Manchester City in the decarbonization verification project for home heating administered by the U.K. Department for Business, Energy and Industrial Strategy. This project, which was adopted for funding, will involve connecting a Daikin Altherma installed as part of a NEDO verification project to the latest cloud system to conduct coordinated controls by consortium members beginning in September 2020. We plan to provide over 250 units of Daikin Altherma as part of this project.

Since fiscal 2016, we have also been participating in a verification project of automated demand response technology in Lisbon, Portugal. We worked together with the New Energy and Industrial Technology Development Organization (NEDO) on developing the air conditioning automated demand response technology, and began trial operation in July 2018. VRV multi-split air conditioners installed in several buildings including the city hall are optimally controlled with a balance between renewable energy and the amount of electricity purchased by using data such as energy usage, weather analysis, and communication with an aggregator.

In addition to the above, in fiscal 2018, we held a workshop in Brussels, Belgium at which we discussed the European market environment, limiting conditions, and the potential for dissemination of virtual power plants (VPP^{*2}), etc., which include demand response. Taking part were the Electric Power Research Institute (EPRI) from the U.S., Belgian research institute EnergyVille, and related participating groups.

In fiscal 2020, Daikin's research and development base, Technology and Innovation Center (TIC), participated in the Innovation Ecosystem, which was formed as a redevelopment project for the former site of Expo Milano in Italy. Daikin Airconditioning Italy S.p.A. also supports the same program.

- *1 Automated demand response technology: Daikin's technology which automatically adjusts power consumption of airconditioning systems
- *2 Virtual power plant (VPP): By carrying out remote control and integrated control of energy sources distributed in different locations (power generation facilities, power storage facilities, demand facilities, etc.), they all function as if they were a single power plant.

Participation in the Smart City Project in Singapore

In November 2020, Daikin concluded a memorandum of understanding on establishing a joint venture with SP Group regarding Tengah Town being developed by the Government of Singapore. Daikin is building a district-level centralized cooling system to optimize control for the entire town. The advanced Residential Applied Cooling System, which was introduced for the first time in the ASEAN region, is capable of reducing life cycle costs by 30% compared to air conditioning systems installed in individual units. In the future, we plan to establish a subscription business based on the amount of space cooling used by each resident.



Conceptual image of Tengah Town, a smart city in Singapore (planned completion in 2024)

Creating New Energy

Aiming to Disseminate Renewable Energy

Daikin is making use of the energy-efficiency technologies, built up through products and services, for energycreation technologies in order to spread the use of renewable energy.

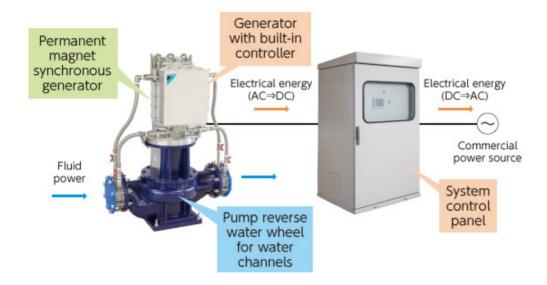
Daikin Industries, Ltd. developed a compact, low-cost pipeline-type micro-hydroelectric power generation system after the project was adopted in 2013 for demonstration testing under the Low Carbon Technology, Research, Development and Demonstration Program that is run by Japan's Ministry of the Environment (MOE). Micro-hydroelectric power generation refers to small-scale hydropower generating 100 kW or less. Microhydroelectric power is characterized by the fact it can make efficient use of the potential energy from water flow, such as in cyclical water treatment facilities such as waterworks, factory water pipes, factories, and pools, or can even use water that maintains minimal flow in rivers during times of drought.

Hydroelectric power can be a stable power source because it generates high annual amounts of electricity, and has a higher utilization rate than sources such as solar and wind power. However, there are limited locations where micro-hydroelectric power can be used because it has a high cost considering the amount of electricity it generates—100 kW or less—and the large amount of space it requires for installation. Daikin has developed a compact and low cost micro-hydroelectric power generation system that packages a water wheel, generator, and controller.

In fiscal 2014 and 2015, we conducted demonstration testing in Nanto City, Toyama Prefecture, and Soma City, Fukushima Prefecture, which resulted in us achieving practical product application. In May 2016, we began a joint effort with Kobe City to evaluate long-term performance and operational costs, which resulted in product commercialization.

Also, under the above-mentioned MOE project, an ultra-compact, ultra-low-cost, small-capacity microhydroelectric power generation system developed by Daikin Industries, Ltd. was adopted and we developed a 5.5-kW system for a three-year period from fiscal 2016 to 2018. We believe that the development of a smallcapacity product increases the number of possible installation locations for hydroelectric power systems, particularly among small-sized waterworks-related companies, and can contribute to reducing CO₂ emissions.

Daikin Industries, Ltd. established DK-Power, Ltd. in June 2017. Since then, the company has engaged in the power generation business using small-capacity micro-hydroelectric power generation systems. As of March 31, 2022, the company has installed these systems at 34 locations across Japan with total annual power generation of 6,200 MWh in fiscal 2021, which is enough to power 2,070 homes.* Daikin aims to operate 100 power generating facilities in Japan by fiscal 2025.



* Based on homes with annual electricity consumption of 3,000 kWh

Related information > DK-Power, Ltd. (available in Japanese only) □ (http://www.dk-power.co.jp/)

Response to Climate Change

RECOVERY, RECLAMATION AND DESTRUCTION OF FLUOROCARBONS

Recovery, Reclamation and Destruction of Fluorocarbons from Air Conditioners

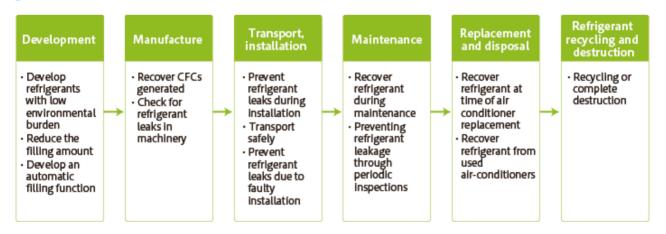
Reducing Impact throughout the Entire Life Cycle

The fluorocarbons used as refrigerants in air conditioners have a global warming impact that is several hundred to several thousand times greater than that of CO_2 .

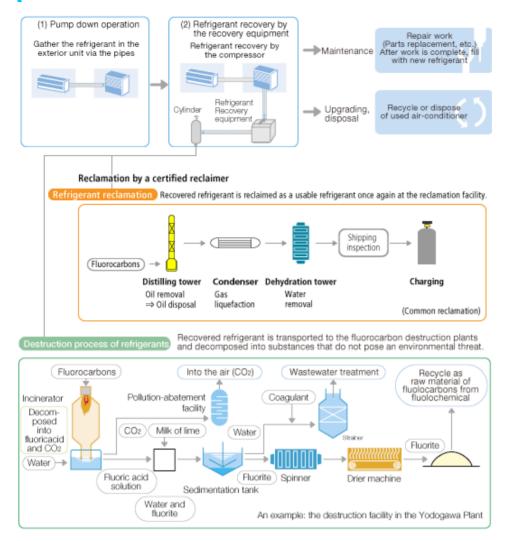
Daikin is the only comprehensive air conditioner manufacturer developing everything from refrigerant to air conditioners and engaging in the recovery, reclamation and destruction of refrigerants. In addition to disseminating low-global-warming-impact refrigerants worldwide, we strictly manage refrigerants during the production, after-sales, and other stages, and we recover, reclaim, and destroy refrigerants at the end of air conditioner life so that we can reduce environmental impact throughout the entire life cycle.

At all worldwide production bases, we recover and destroy refrigerants placed in air conditioners during testing and other processes. We ensure thorough recovery of refrigerants by striving to improve our technique in air conditioner installation thereby preventing refrigerant leakage during product use, as well as making sure to recover the refrigerant before conducting any service work at the time of air conditioner repair and replacement.

Efforts to Prevent Environmental Burden from Fluorocarbon Emissions



Recovery, Reclamation, and Destruction of Refrigerants



Related information

Feature of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy (https://www.daikin.com/csr/feature2019/01)

Efforts during Production

Fluorocarbon Recovery Equipment Ensures Proper Destruction of Refrigerants (Chemicals Divisions)

The fluorocarbons emitted in the production processes of the chemicals divisions are raw materials and byproducts in the production of fluorochemical products. To prevent such emissions, we have been installing recovery equipment on production lines and properly destroying the fluorocarbon gases recovered. We also take the fluorite generated during the destruction process and reuse it as raw material for the production of fluorochemical products.

In Japan, a new incinerator was installed at Kashima Plant in fiscal 2021. This incinerator with an increased fluorocarbon destruction capacity will begin full-scale operations in summer 2022.

Overseas, Daikin plants voluntarily recover gas and destroy it either in house or through a contracted destruction facility. Daikin has stepped up recovery of PFC-c318, and improved its gas recovery methods, thus dramatically reducing emissions.

We will continue to switch to fluorocarbon substitutes in our efforts to reduce environmental impact.

Ensuring No Leaks When Filling Air Conditioners with Refrigerant (Machinery Divisions)

During the air conditioner manufacturing process at our worldwide production bases we do everything possible to prevent refrigerants leakage during charging.

These measures include the following:

- We inspect all pipes for leakage before charging refrigerants.
- If operation inspections show that a product must be fixed, we do so after recovering all the refrigerant from it.
- We take every precaution possible during refrigerant charging to ensure there are no leaks.
- We are converting to low global warming potential refrigerants.
- We introduced charging machines that largely control emissions during charging.

All this and other related works are done by certified technicians according to maintenance manual procedures. Technicians also undergo training every year based on the manual.

In fiscal 2021, we expanded the use of couplers (joints) which have less leakage during charging. Following their introduction at the Shiga Plant and Daikin Air-conditioning (Shanghai) Co., Ltd. last year, in fiscal 2021 we introduced couplers at Daikin Air-conditioning (Suzhou) Co., Ltd. In addition, by converting to a lower global warming potential refrigerant, we are reducing CO₂-equivalent emissions. Furthermore, for the gas used in the inspection process, we have switched to helium, which does not deplete the ozone layer and is not a greenhouse gas. In 2021, the refrigerant emissions ratio during charging was 0.2% at Daikin both in Japan and overseas.

In addition to the above, we carry out leakage prevention for facilities such as chillers used in research and development.

- Upgraded steel pipe of aging direct expansion chillers
- Automatic detection tray for identifying slow leaks at an early stage
- Use direct method to inspect connection points using a leak tester for air conditioners with large refrigerant charge amount at the time of simple inspections



Recovering refrigerant

Inspecting for Refrigerant Leaks in the Air Conditioner Manufacturing Process

Daikin Industries, Ltd. carries out three inspections for refrigerant leaks during the production process for residential and commercial air conditioners. This gives customers highly reliable products and prevents refrigerant emissions due to product defects.



1. Air-tightness and pressure resistance inspection

Before we insert refrigerant, we pump air at an extremely high pressure of 4.2 MPa to check for leaks at the welded sections, pipes, and other parts refrigerant passes through.



2. Gas leak inspection After ensuring there are no leaks, refrigerant is sealed inside and a refrigerant detector is used to inspect all brazed parts.



3. Pre-delivery inspection When the product is completed and packed, a refrigerant detector is once again used to ensure no refrigerant has leaked.

Visual Representations of Refrigerants in Refrigeration and Air Conditioning Equipment

The refrigerants used in refrigeration and air conditioning equipment are colorless, odorless, and tasteless gases that, although not harmful to humans, must be prevented from leaking into the atmosphere since these refrigerants have a great impact on global warming. In 2009, the Japan Refrigeration and Air Conditioning Industry Association announced a policy of displaying the effects of global warming caused by these refrigerants: a 'visualization' of their movement.

Since that time, Daikin in Japan has placed stickers on its refrigeration and air conditioning equipment for the Japanese market that show that fluorocarbons are being monitored. In accordance with the Act on Rational Use and Proper Management of Fluorocarbons went into effect from 2015, these 'visualization' stickers have shown the global warming impact of the refrigerant used in order to encourage the recovery of fluorocarbons. These same stickers are placed on products made overseas for the Japanese market.

We are improving the placement of stickers and designing products so that stickers are highly visible to endusers and installers and so that we can improve the recovery rate.

Fluorocarbon 'visualization' sticker (for indoor unit)

フロン排出抑制法 第一種特定製品					
20		にもとづくフロン ・みだり大気放出 ・冷媒回収業者へ ・未回収機器の引	禁止 依頼実施		
フロン類の種類,冷媒番号,地球温暖化係数及び数量					
種類	冷媒番号	地球温暖化係数	数量(kg)		
HFC	_				

Efforts during Installation, Use and Repair

Helping Customers Prevent Refrigerant Leakage

The Act on Rational Use and Proper Management of Fluorocarbons went into effect in April 2015 in Japan with the aim of strengthening the prevention of fluorocarbon leaks that cause global warming. Accordingly, this law obligates commercial air conditioner users and managers to conduct strict management of refrigerants to ensure they do not leak during product usage. In response, since October 2015 we have offered the free smartphone app "Daikin Fluorocarbon Check Tool (Dfct)" that can identify and list equipment subject to this law just by photographing the equipment. It also provides notifications for periodic inspections and a simple checklist menu for all equipment. In March 2022, we added the function to register both outdoor and indoor units as a pair system instead of separate units, making it easier for equipment management following legal regulations.

Moreover, in fiscal 2018, Assisnet Service was launched, through which regular inspections are conducted by service engineers of Daikin Industries, Ltd. By attaching IoT terminal such as a low cost communicative LPWA device to outdoor unit, operational data on the air conditioner can be automatically collected to provide services such as email notification to managers in case of any operational abnormalities, as well as reminder of maintenance period for outdoor unit based on the cumulative operational hours of each compressor, thereby reducing the man-hours on air conditioning equipment management. We have made refrigerant leak detection function a standard feature in the new models released in the SkyAir series of air conditioners for retail store and office use and in the VRV6 series of multi-split type air conditioners for commercial buildings released in October 2021, with the email notification feature via Assisnet Service enabled in case of a refrigerant leak.

Also at Daikin Industries, Ltd., all equipment located inside the company is operated and managed after having been registered on Dfct in fiscal 2018. Moreover, incidents of refrigerant leakage are shared across the company and inspections implemented in striving to prevent future leakage incidents.

Establish an eco-cycle of refrigerants (recovery, reclamation, and destruction)

System for Recovery, Reclamation and Destruction of Refrigerants in Europe

In Europe, where people are advocating for a circular economy, there is growing demand for the recovery and reclamation of refrigerants from used air conditioners, from the standpoint of the importance of resource recycling and stable supply of refrigerants. Daikin has established a system for recovering, reclaiming and reusing refrigerants from used air conditioners in the European market.

Daikin has established three routes: simple reclaiming that removes impurities such as oil and water based on the quality condition of the recovered refrigerant, full-scale reclaiming that breaks the refrigerant down by component and then readjusts components at a plant to reclaim the quality as good as that of virgin refrigerant, and destruction for refrigerant that cannot be reclaimed.

In the process of establishing these routes, Daikin Europe N.V. cooperated with A-Gas, a company based in the U.K. that recovers and reclaims refrigerant, and released simple reclaiming equipment under the Daikin brand in fiscal 2019. Daikin Refrigerants Europe GmbH owns a destruction plant in Germany and began operating a reclamation plant there, too. By utilizing this scheme, in fiscal 2019, Daikin Europe N.V. commenced sales of VRV L∞P by Daikin air conditioners that use reclaimed refrigerant.

Main progress and results from fiscal 2020

• Began demonstration experiment with participation in the EU Grant Project

In November 2020, Daikin Europe N.V. and Daikin Airconditioning Central Europe HandelsGmbH participated in the EU funding program of the LIFE3R project. In the LIFE3R project which strives for a circular economy of fluorocarbons, demonstration experiments such as recovery, reclamation, and reuse of refrigerants and online trading of recovered refrigerants were started in three countries in the EU.

In 2021, Daikin Airconditioning Central Europe HandelsGmbH launched the trading platform called RETRADEABLES in Hungary, the Czech Republic, and Austria under the sponsorship of the EU-LIFE Programme. The platform serves as the first European marketplace for used F-gas to promote the recovery, recycling and reclamation of used refrigerants.

• Released the portable refrigerant reclaim machine

We launched a high performance portable refrigerant reclaim machine equipped with an oil separator with electrostatic separation technology in the European market in April 2020. Using the machine, refrigerants can be renewed with a high purity by eliminating impurities from the recovered refrigerant. We aim to expand the utilization of simple reclaimed refrigerants in anticipation of the rising price of refrigerants and tight supply and demand balance in the future.

• Launched Reclaim with Confidence Program in the U.K.

We launched Reclaim with Confidence Program, a new refrigerant reclamation package service, in the U.K. By combining the services of recycle cylinder handling by air conditioner wholesalers and the refrigerant reclamation by A-Gas, we are able to provide our refrigerant recovery service to a wide range of targets who are not our direct customers.



Portable Refrigerant Reclaim Machine with Electrostatic Separation Technology



Refrigerant recovery in Europe

Supporting the Recovery, Reclamation and Destruction of Refrigerants in Emerging Countries

In emerging countries, Daikin cooperates with the Japanese government, national governments and other stakeholders to create refrigerant recovery, reclamation and destruction schemes.

In fiscal 2020, a recovery and reclamation system was established in Singapore. Starting in fiscal 2021, Daikin began considering a recovery system in Thailand and Vietnam.

Related information

> Dialogue with Government and Industry Groups (Page 502)

Refrigerant Recovery Network System (Japan)

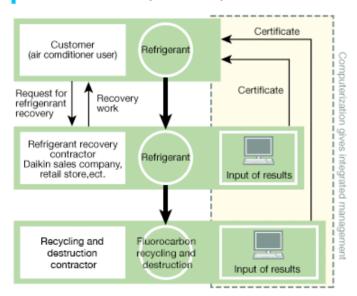
In Japan, we are thorough in our recovery of fluorocarbons (refrigerants) from commercial refrigeration and air conditioning equipment. We have created a network system for the integrated management of all information from recovery to destruction of refrigerants, including the amount of refrigerant recovered and the amount destroyed by contractors. By entering the type and quantity of equipment for each case of refrigerant recovery and the amount of refrigerant recovered, we accurately ascertain refrigerant recovery rates and thoroughly manage compliance with the Act on Rational Use and Proper Management of Fluorocarbons.

Companies responsible for charging, recovering, reclaiming and destroying refrigerants add up the total amounts they charged, recovered, reclaimed and destroyed, which they are required to report annually to prefectural governments in Japan. As this system also assists with generating these reports, it contributes to these companies working more efficiently.

To strengthen our efforts, Daikin established a promotion team that integrates the chemical divisions which handle refrigerants with the air conditioning divisions in Japan in fiscal 2021. Our goal is to commercialize the recovery and reclamation of refrigerants that used to be destroyed through cooperation with governments and other companies to improve the refrigerant recovery rate, which is still low, in the future.

Even overseas in European countries with strict regulations, we have established recovery systems similar to that used in Japan to manage the process from recovery to destruction. In other regions, we also comply with regulations in each country and take appropriate measures from the perspective of environmental protection.

Further, Daikin destruction equipment is used in Japan and Thailand to thoroughly destroy fluorocarbons.



Fluorocarbon Recovery Network System

Taking Calls 24 Hours a Day, 365 Days a Year for Recovery and Destruction (Fluorocarbon Recovery and Destruction Business)

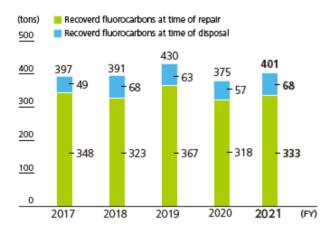
We take requests from dealers and other businesses for the proper recovery and destruction of refrigerants. The Daikin Contact Center receives calls all day, every day. Recovered refrigerants are taken to our Yodogawa Plant, Kashima Plant, or one of the contracted destruction facilities around Japan where they are properly destroyed or handed over to recyclers authorized under the Act on Rational Use and Proper Management of Fluorocarbons.

In fiscal 2021, the total amount of refrigerants destroyed in the recovery and destruction business by the Daikin Group in Japan was 401 tons.



Fluorocarbon destruction facilities (Yodogawa Plant)

Amount Destroyed in Fluorocarbon Recovery and Destruction at Time of Repair and at Time of Disposal (Domestic Group)



Note: Amount destroyed at contracted destruction facilities around Japan including our Yodogawa Plant and Kashima Plant

Repair Only After Thorough Recovery of Refrigerant

During the parts replacement that takes place during maintenance of air conditioners, refrigerant can leak out into the atmosphere. To prevent this, the Daikin Group in Japan has recovery equipment at service stations across Japan that carry out such repair work, and this equipment is used to recover refrigerant before any repair work begins. In fiscal 2020, Daikin Industries, Ltd. recovered 303 tons of refrigerants.



Types of Fluorocarbons Recovered during Maintenance (Daikin Industries, Ltd. only)

Related information

> Read about Daikin's free smartphone app "Daikin Fluorocarbon Check Tool (Dfct)" (Defacto), which can be used as an inspection tool for air conditioners (available in Japanese only) □ (https://dfct.daikinaircon.com/)

Installing Refrigerant Recovery Equipment, Training Personnel in Refrigerant Recovery

At Daikin, refrigerant recovery equipment is deployed to sales company service divisions in each country. Regardless of differences in the laws and regulations of each country, all technicians conduct refrigerant recovery work with a strong awareness of environmental measures.

In Japan, the Act on Rational Use and Proper Management of Fluorocarbons was amended and enforced in April 2020. We are ensuring everyone is aware of the issuance of a copy of the recovery certificate at the time of equipment disposal and requirement to store the inspection and maintenance record for three years following the disposal of equipment in accordance with the same law.

In accordance with fluorocarbon regulations in Europe, especially in countries like France and Italy, Daikin provides training to employees and dealers as a certification course for the acquisition of national certification in gas welding and fluorocarbon handling.

In Asia/Oceania and other regions, we are also conducting refrigerant recovery trainings at sales companies as well as for service partners.

Training Technicians for Refrigerant Recovery and Installation

The recovery of refrigerants requires special knowledge and skills, and Daikin Industries, Ltd. provides these through training for the sales, technical, installation, and service staff who will be recovering refrigerants.

After one of these training programs, the technician training course, participants take a final test and if they pass, they are registered as refrigerant recovery technicians by the Refrigerants Recycling Promotion and Technology Center. In fiscal 2021, 1,603 people, mostly from dealers and installers, took the course.

Workers who inspect or charge air conditioners with refrigerant are required by law to obtain certification based on the Act on Rational Use and Proper Management of Fluorocarbons. Daikin holds workshops for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians. We have also held seminars on the Act on Rational Use and Proper Management of Fluorocarbons for employees of buildings and large stores using Daikin products, and contracted maintenance outlets.

Workshops held in fiscal 2021, for people who have acquired certification as first and second grade refrigerant fluorocarbons handling technicians were attended by 356 people (first grade) and 1,035 people (second grade) throughout Japan. Moreover, as fiscal 2021 was the time for the five-year renewal for those technicians who received certification in the first year, 513 people (first grade) and 1,185 people (second grade) attended the workshops.

Overseas, since fiscal 2018, we have been implementing the R-32 air conditioner installation and refrigerant recovery technology workshops at the Singapore training base in order to disseminate R-32, a refrigerant with low global warming potential.

Environment

Effective Use of Resources

Basic Policy

Air conditioners utilize metal and a wide range of other resources. Daikin makes effective use of resources in product design and production processes and contributes to the realization of circular economy.

Daikin designs products to be small and lightweight to conserve resources and uses materials common in all products in consideration of recyclability. In production processes, we not only promote the recycling of waste generated, but also strive to eliminate the amount of waste that occurs.

Further, we regard water shortages as a social issue posing an operational risk, thus we are enhancing our management of water used in production processes and strive to conserve water resources.



Home Appliances, Daikin reports

the results of used residential air

conditioner recycling efforts.

amount of water used in production processes, identify water risks and take the appropriate countermeasures.

Related information

recyclability of its products.

used and improving the

reducing the amount of resources

- > Environmentally Conscious Design (Page 145)
- > Green Procurement (Page 153)
- Feature of Fiscal 2019: Environment—Launched New Refrigerant Service in Europe Contributing to a Circular Economy (https://www.daikin.com/csr/feature2019/01)

Effective Use of Resources

RESOURCE RECYCLING

At Daikin, we believe it is important to make use of limited resources effectively to reduce environmental impacts. We will contribute to the shift toward a circular economy through efforts including reducing resource usage, recycling, improving the recyclability of products, reducing waste in the production process, and enhancing our repair system to extend product longevity.

Among the wide range of initiatives aimed at improving resource recycling in our business activities, our priority is to establish a recovery and reclaiming system of refrigerants that are essential to our mainstay products of air conditioners.

Recovery and Recycling of Resources

Establishing an Eco-cycle of Refrigerants (Recovery, Reclamation, and Destruction)

The recovery and reclamation of used air conditioner refrigerants from the market not only contributes to reduced emissions of greenhouse gas, but is also important in terms of resource recycling and stable supply of refrigerants.

As part of our social responsibility as an air conditioner manufacturer, Daikin promotes the establishment of a refrigerant recovery and reclamation system that circulates resources by recovering and reclaiming used refrigerants.

Related information

> Overview of the Act on Rational Use and Proper Management of Fluorocarbons (available in Japanese only)

(https://www.env.go.jp/earth/furon/gaiyo/gaiyo.html)

Establishing an eco-cycle of refrigerants (recovery, reclamation, and destruction) (recovery, reclamation and destruction of fluorocarbons)
 (Page 214)

Reducing the Amount of Resources Used

Global Repair System Aimed at Increasing Product Longevity

Making products that last longer means that fewer resources are used. To this end, Daikin is strengthening its repair system by establishing service outlets around the world to address customer repair requests and questions and enquiries regarding products.

In Japan, the Daikin Contact Center is open 24 hours a day, every day of the year to take inquiries and receive requests for repairs. We strive for even greater customer satisfaction by improving the technical expertise and etiquette of our service engineers through an engineer certification system. To make repair requests more accessible, the telephone Contact Center staff follows a support system that promptly asks for necessary information on the phone and provides adequate directions, and we offer more ways of reaching us other than by telephone, such as through the Internet.

We are also working to strengthen our service network in each country. By introducing service management systems, we are making workflow more efficient and providing more high-quality and transparent service in every phase of customer interaction including through our service engineers and our partner companies.

Making Smaller and Lighter Products

Making products smaller and lighter is effective for reducing the amount of resources used. When making air conditioners, for each product we set weight reduction targets for both the entire product and its components.

However, if making it smaller and lighter means compromised energy efficiency, then the product's environmental performance throughout the entire lifecycle has not yet been improved. When Daikin Industries, Ltd. develops new products, we establish weight reduction targets for each product on the condition that the annual performance factor (APF) does not decrease.

Details of Main Initiatives

Fiscal 2021

• Reduced 35% of the weight of the outdoor unit for "machi Multi," multi-split type air conditioners for commercial buildings, through incorporating a swing compressor developed by Daikin (launched in October 2021)

Related information

machi Multi (available in Japanese only) (https://www.ac.daikin.co.jp/shopoffice/products/machi_multi)

Reducing Packaging Materials

Daikin strives to reduce the usage of packaging for air conditioners from the perspectives of improved carriability, and reduction of components and cardboard area.

In fiscal 2021, we set a reduction target of 5% compared to fiscal 2016. We were able to conserve packaging materials with a design change to the outdoor unit of large air conditioners to accommodate protruding piping inside the main unit. This reduced the amount of packaging materials used by about 80% to reach the annual target as well as improved the load efficiency of vehicles during transport.

Reduction in packaging materials used for the outdoor unit of large air conditioners by switching the piping design



Piping that protrudes by 100 mm from the main unit



Approximately 80% reduction in packaging materials



Switched to resource-saving packaging material without the use of wood frame

Prize won in the 2021 Japan Packaging Contest

Two cardboard packaging products from Daikin Industries, Ltd. received the Industrial Packaging Award at the 2021 Japan Packaging Contest from the Japan Packaging Institute.

All cardboard packaging for Streamer Disinfection unit

The packaging of the "Streamer Disinfection unit" attached to the indoor unit of our ceiling-mounted air conditioner for commercial use is made entirely of cardboard. This reduced the number of parts used and the cardboard used by approximately 13% by weight. Assembly was also simplified. (Received the award together with Oji Container Co., Ltd.)



All cardboard packaging for Streamer Disinfection unit

Smart Cube cushioning material with integrated top and bottom tray

We developed a structure that minimizes the number of parts as much as possible for the packaging of Smart Cube (automatic air flow rate control unit). This consists entirely of cardboard which also simplified the packing process. (Received the award together with Rengo Co., Ltd.)



Smart Cube cushioning material with integrated top and bottom tray



Amount of Packaging per Product (wood, cardboard, styrofoam, etc.) (With fiscal 2010 value set at 100)

Switching to Materials with Relatively Smaller Environmental Impact

The main materials used in air conditioners are metals such as iron, copper, and aluminum. Of these, copper faces the issue of over mining which leads to lower ore grade, while its demand is expected to increase as society strives to decarbonize. Daikin is working to reduce the amount of copper it uses through establishment of replacement technologies.

In addition, the circular use of plastic resources is also another major challenge. To this end, Daikin is moving forward with switching to appropriate recycled or renewable materials for plastics used in its products. We are also striving to reduce the amount of single-use plastics used in our packaging materials.

Promoting Recycling

Product Design That Enables Easy Sorting and Recycling

We consider a product's recyclability from its design phase. We adopt the use of resins that are easily recyclable and structures that can easily be dismantled, and promote the labeling of materials for sorting and recycling. In addition, Daikin also strives to reduce parts and develop structures with improved recyclability.

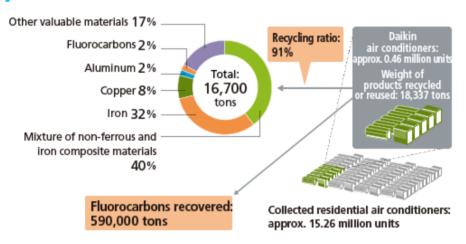
Related information

> Environmentally Conscious Design (Page 145)

Daikin Achieves Recycling Ratio of 91%, Well above Obligations under Home Appliance Recycling Law

Japan's Home Appliance Recycling Law obligates manufacturers to recycle at least 80% of the material from their own residential air conditioners as well as recover and then reuse or destroy refrigerants.

In fiscal 2021, we recovered about 460,000 products totaling 18,337 tons. The recycling ratio was 91% and the amount of fluorocarbons recovered was 590,000 tons- CO_2 .



Recycling of Residential Air Conditioners in FY2021 (Japan)

Related information

- > Home Appliance Recycling Results (Progress in carrying out recycling, etc. of specified home appliances) (Page 228)
- > Recovery, Reclamation and Destruction of Fluorocarbons (Page 208)

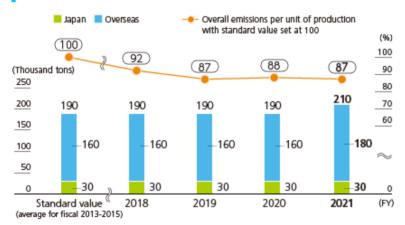
Initiatives in the Production Process

Waste Reduction in Production Processes

Daikin is working to reduce waste emissions from production processes, including hazardous waste. At the same time, we are endeavoring to reuse or recycle waste emissions.

In fiscal 2021, we have set a new target of reducing fiscal 2025 emissions per unit of production across the entire Group by 10% against the standard value (average for fiscal 2013 to 2015), and to this end we have strived to use raw materials more efficiently, minimize production loss, and shift to returnable packaging. In addition, we also strive to reduce waste by improving the material efficiency of waste plastic, reducing the amount of metals scrapped, and improving fluorine recovery rate. In fiscal 2021, we achieved a 13% reduction in emissions per production unit against the standard value.

Emissions/Emissions per Unit of Production



Related information

> ESG data (Page 653)

HOME APPLIANCE RECYCLING RESULTS

(PROGRESS IN CARRYING OUT RECYCLING, ETC. OF SPECIFIED HOME APPLIANCES)

Daikin's Progress in Recycling Home Appliances in Fiscal 2021

Total amount of home appliances recycled in one year (April 1, 2021 to March 31, 2022) based on Japan's Home Appliance Recycling Law

Progress in recycling used home appliances

Residential air conditioners	
Number of appliances received at specified dropoff sites (Units: 1,000)	455
Number of appliances recycled, etc. (Units: 1,000)	454
Amount recycled, etc. by weight (tons)	18,336
Amount recycled by weight (tons)	16,699
Recycling rate (%)	91

Note1: The number of appliances recycled, etc. and the amount recycled, etc. by weight are the total number of used appliances and the total weight processed by the necessary methods in order to carry out recycling, etc. in fiscal 2021.

Note2: All values are rounded off to the decimal point.

Note3: The number of appliances received at designated dropoff sites and number of appliances recycled, etc. do not include items for which the manufacturers that should process those items could not be determined due to problems such as incorrectly filled out manifests.

Progress in recycling parts and materials, etc.

Relevant parts processed into a state in which they can be transferred as parts or materials to the user for a fee or free of charge.

Residential air conditioners		
Iron (tons)	5,315	
Copper (tons)	1,258	
Aluminum (tons)	374	
Mixture of non-ferrous and iron composite materials (tons)	6,609	
Fluorocarbons (tons)	278	
Other valuable materials (tons)	2,862	
Total weight (tons)	16,699	



Note1: Other valuable materials means plastic, etc.

Note2: All values are rounded off to the decimal point.

Amount of fluorocarbons recovered and recycled, reused, or destroyed

Recovered weight of fluorocarbons used as refrigerants (kg)	303,320
Shipped weight of fluorocarbons used as refrigerants (kg)	298,768
Weight of recycled and reused fluorocarbons used as refrigerants (kg)	275,656
Weight of destroyed fluorocarbons used as refrigerants (kg)	22,150

Note: All values are rounded off to the decimal point.

Effective Use of Resources

WATER RESOURCE CONSERVATION

Basic Policy

As water shortages become an increasingly serious social problem, Daikin, which develops business globally, strives to protect water resources in line with "Goal 6: Clean water and sanitation" of the Sustainable Development Goals (SDGs). At each of our production bases around the world, we have introduced and operate an environmental management system (EMS) including for water usage, following ISO 14001 requirements. Using these environmental management systems, we are also enhancing our management of water usage.

We strive to reduce the amount of water consumed, which we define as the difference between water intake and wastewater, by reducing water intake by improving manufacturing processes and purifying and recycling used water once used, as well as purifying used water and returning it to water resources. In terms of purification, we operate under voluntary standards that are stricter than what is required by law.

Related information

List of Companies with ISO Certification 1 (95KB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/

environment/management/ems_data-pdf.pdf)

Risks and Opportunities Related to Water Resources

Daikin recognizes that water shortages carry the risk of affecting factory operations. We utilize tools to evaluate water stress conditions (indicated by the degree of tightness between water supply and demand) in the areas where our factories operate throughout the world to identify manufacturing bases operating in highly water-stressed regions. The results of the evaluation show that applicable bases were Daikin Device (Xian) Co., Ltd. and Daikin Air Conditioning India.

Further, we view the reduction of water used as an opportunity to reduce production costs, and by taking measures to reduce water risks, we are working to avoid water risks and reduce production costs. Chemicals business manufacturing bases that require the use of large amounts of water are located in large river basins such as the Yangtze River in China and the Tennessee River in the United States, where water resources are easily secured.

Also, in consideration of the impact of water shortages on the provision of materials from suppliers, we evaluate water stress conditions at major suppliers and establish items related to water resources within our Green Procurement Guidelines that all suppliers are requested to follow to promote water resource conservation throughout the supply chain.

Water Intake Reduction

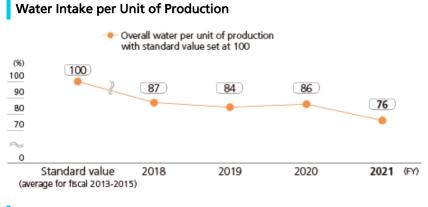
24% Reduction in Water Intake Per Unit of Production

At Daikin, we strive to reduce water intake by ascertaining the volume of water intake at manufacturing bases and reusing wastewater to the full extent possible. In fiscal 2021, we established a new goal of reducing water consumption per unit of production by 10% in fiscal 2025 compared to a baseline comprising the average water intake between fiscal 2013–2015. In fiscal 2021, we reduced total water intake per unit of production by 24% compared to the benchmark for the entire Group. In fiscal 2021, we introduced a precision water usage monitoring system at Daikin Compressor Industries Ltd. in Thailand. In addition, we installed a large capacity rainwater tank to expand the use of rainwater at Daikin Industries (Thailand) Ltd.

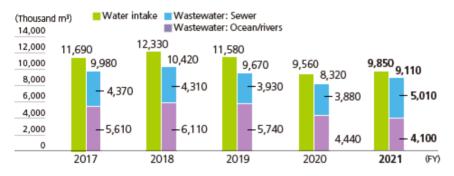
In addition, for the water quality of wastewater, we have established unified worldwide voluntary standards that are stricter than what is required by law, and we implement these standards exactly as they are written.



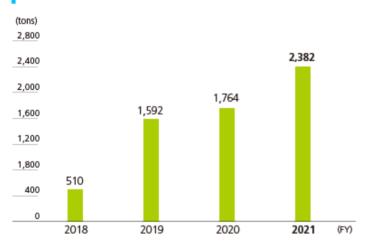
Wastewater treatment facility at Kanaoka Factory of Sakai Plant



Water Intake and Wastewater Trends



COD emissions



Note: The measuring method has changed since fiscal 2020, and the numerical values from fiscal 2019 have been retroactively corrected following the same method.

Response to Water Risks and Opportunities

Operation Surveys in Water-stressed Regions

Water risk has become a pressing issue in recent years. Since fiscal 2014, Daikin has utilized the World Resources Institute (WRI) water risk map (Aqueduct) and the World Business Council for Sustainable Development (WBCSD) Global Water Tool to conduct surveys in water-stressed regions, confirming that operations are taking place in two water-stressed regions: India and China. We have implemented countermeasures including the addition of rainwater pits and formulated a business continuity plan (BCP) assuming scenarios in which operations are hindered due to water shortages.

Daikin Airconditioning India Pvt. Ltd. periodically reports the situation of its groundwater use to the public corporation that developed the industrial park where it is situated.

Amount of Water Intake and Wastewater in Water-stressed Regions (India, China)

						(Thousand m ³)
		2017	2018	2019	2020	2021
India	Water intake	60.0	59.0	58.0	50.0	57.0
	Wastewater	60.0	59.0	43.0	37.0	48.0
China	Water intake	26.0	26.0	25.0	26.0	22.0
	Wastewater	21.0	21.0	20.0	21.0	17.0

Lowering Costs through Water Intake Reductions

We reduced water intake volumes by reusing water used for cleaning processes after purifying it with reverse osmosis membranes and activated carbon.

For example, at Daikin Compressor Industries Ltd. in Thailand, these efforts have resulted in an approximately 80 million m³ (10% overall) reduction in the amount of water used. And at Daikin Europe N.V., changing cleaning solutions to simplify the cleaning process reduced water usage, leading to water resource conservation and lower production costs.

In fiscal 2021, a precision water usage monitoring system was introduced at Daikin Compressor Industries Ltd. in Thailand. The system sends error messages upon detection of abnormal trends and optimizes water use based on cause analysis, which led to reduced volume of water used as well as an annual cost reduction of 400,000 baht.

Engagement with Stakeholders

Daikin uses water at each of its production bases during the cleaning and painting processes for air conditioner parts. This water is released after being treated. We have established and comply with voluntary standards that are stricter than legally mandated ones. In this manner, we strive to preserve water resources in the surrounding communities where we operate.

At our plants in Japan, we hold discussions with local residents once every year where we share information about such initiatives concerning water.

Environment

Management and Reduction of Chemical Substances

Basic Policy

Daikin makes efforts to reduce the use and emission of chemical substances, prevent pollution caused by products and prevent pollution from plant operations.

Regarding chemical substances used in products, as indicated by laws and regulations, we request that materials suppliers thoroughly prevent the inclusion of prohibited chemical substances from entering our products.

We manage and reduce emissions of chemical substances handled in the manufacturing process,. We also monitor voluntary standards for hazardous substance emissions in the air and water.

Management and Reduction
) of Chemical Substances
Contained in Products
(Page 238)

We abide by laws and regulations in managing chemical substances contained in our products.



We report which of the six substances covered by J-Moss (the marking of presence of the specific chemical substances for electrical and electronic equipment) are contained in our products. Management and Reduction
) of Chemical Substances
during Production
(Page 244)

We strive to reduce the amount of chemical substances used in production.



We strive to prevent pollution from plant operations by controlling atmospheric and water quality contamination.

Related information

- > Environmentally Conscious Design (Page 145)
- > Green Procurement (Page 153)

MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES CONTAINED IN PRODUCTS

Compliance with Restrictions on Hazardous Chemicals

Daikin Green Procurement Guidelines List Designated Control Substances to Prevent the Presence of These Chemicals in Our Products

Daikin has a list of designated control substances that are restricted under the RoHS Directive,^{*1} the REACH Regulation,^{*2} and other laws. These are stated in our Green Procurement Guidelines and we work to prevent the presence of these chemicals in our products.

- *1 The RoHS Directive (Restriction of Hazardous Substances Directive) is a regulation in the EU prohibiting the use of certain hazardous substances in electrical and electronic equipment.
- *2 The REACH Regulation on chemical substances went into effect in Europe in June 2007. REACH obligates companies manufacturing or importing at least 1 ton of chemical substances a year in the EU to register with EU authorities. REACH covers almost all chemicals on the market in the EU.

Please refer to our Green Procurement Guidelines for specific designated control substances.

Related information

> Green Procurement Guidelines (Supply Chain Management) (Page 491)

Reducing Transpiration of Chemical Air Pollutants through Using Fluorochemical Products

In the Automotive Industry, Fluoride Materials Contribute to Reduced Leakage of VOCs

In the automotive industry, the movement is toward stricter regulations to prevent the leaking of air-polluting volatile organic compounds (VOCs) from gasoline and other substances.

NEOFLON CPT is a material for automobile fuel tubes and hoses that prevents permeation and leakage of VOCs in the hot engine surroundings. It reduces permeation to just one-fifth of Daikin's previous product, NEOFLON ETFE. And NEOFLON CPT adheres to polyamide resins and general purpose rubbers used to make conventional fuel hoses, meaning it can be used for laminated tubes. Currently, neoflon CPT is used as hose around fuel tanks in the United States and now China. The DACS VOC processing device is a system that purifies air by breaking down, condensing, and oxidizing harmful substances in exhaust gases, such as VOCs and odors. It condenses and recovers highly pure organic solvents at a low cost, thus realizing purification of an entire air environment.

In China and other emerging countries where automobile production is on the rise, fluoride materials are replacing general-purpose materials to comply with stricter environmental regulations. Sales of highly functional fluorine materials such as NEOFLON CPT are rising every year in developed countries, where environmental regulations are increasing in scope and severity. Going forward, Daikin aims to respond to the growing demand that will be created by these trends.

Automobile Fuel Hose Made of Fluororesin



Laminated hose made of general purpose rubber

Related information

> NEOFLON CPT 🗖 (https://www.daikinchemicals.com/solutions/products/fluoropolymers/neoflon-cpt.html)

COMPLIANCE WITH J-MOSS

Compliance with J-Moss

We release information on the presence in our products of the six substances covered by J-Moss (the marking for presence of the specific chemical substances for electrical and electronic equipment). Daikin residential air conditioners are covered by J-Moss.

Since 2001, Daikin has been determining and controlling chemical substances contained in products and we have stopped using substances specified under J-Moss. As a result, all models of our residential air conditioners (produced since July 2006) contain none of the substances exceeding the amounts under the standards.

We will continue to actively provide information about our environmentally conscious products so that we can offer customers a peace of mind when making purchases.

J-Moss

Also known as JIS C 0950, J-Moss is an abbreviation of "The marking for presence of the specific chemical substances for electrical and electronic equipment." J-Moss requires the labelling of electrical and electronic products containing six substances: lead, mercury, cadmium, hexavalent chromium, and two specified bromide fire retardants (polybrominated biphenyls (PBB) and polybrominated diphenyl ether (PBDE)). There are seven types of products covered: (1) personal computers, (2) unit-type air conditioners, (3) television sets, (4) refrigerators, (5) washing machines, (6) microwaves, and (7) clothes dryers.

Daikin Products

The substances contained in Daikin residential air conditioners are shown on the table below. Note that the residential air conditioners shipped in Japan starting in 2007 bear the Japan's Green Mark eco-label.



Substances Contained in Residential Air Conditioners

Product type: Residential air conditioner (indoor unit/outdoor unit) Model: All models produced since July 2006^{*}

Class	Chemical substance code					
	Pb	Hg	Cd	Cr(VI)	PBB	PBDE
Structural parts	0	0	0	0	0	0
Refrigerant system parts	N/A	0	0	0	0	0
Electrical/electronic parts	N/A	0	0	0	0	0
Compressor	N/A	0	0	0	0	0
Refrigerant	0	0	0	0	0	0
Accessories	0	0	0	0	0	0

JIS C 0950:2008

Note1: A "O" symbol means that the substance contained does not exceed the allowable amount under the standard.

Note2: N/A means the substance is "not applicable" for labeling.

* Models designated below.

Indoor unit: Wall mount, embedded ceiling cassette (single flow, double flow), embedded wall, built-in amenity, floor standing Outdoor unit: For the following: Pair type, System Pack, Multi-Split System, Wide Select Multi, Equipped with Hot Water Floor Heating function

Related information

> Overview of J-Moss 🛨 (Page 242)

OVERVIEW OF J-MOSS

Under Japan's Law for the Promotion of Effective Utilization of Resources, relevant equipment must meet J-Moss standards.

J-Moss (JIS C 0950):

The marking for presence of the specific chemical substances for electrical and electronic equipment

Gist of the Standards

Indicating on labelling which of the specified chemical substances are contained in electrical and electronic equipment is meant to achieve the following:

- Management of chemical substances will be improved in all stages of the supply chain and life cycle.
- End consumers can easily understand the substances contained.
- It will lead to more effective use of resources and less impact on the environment.
- Spread the use of electrical and electronic equipment in which substances are properly controlled.

(2) Unit-type air conditioners

(4) Refrigerators

(6) Microwaves

Products Covered

(1) Personal computers

(3) Television sets

(5) Washing machines

(7) Clothes dryers

Specified chemical substances

Chemical substance	Code	Standard for % by weight
Lead	Pb	0.1
Mercury	Hg	0.1
Cadmium	Cd	0.01
Hexavalent chromium	Cr(VI)	0.1
Polybrominated biphenyls	PBB	0.1
Polybrominated diphenyl ether	PBDE	0.1

Content Labelling

If the content of the specified chemical substance exceeds the standard values, its content must be indicated on the product itself, the packaging, and on catalogs and other documentation. This information must also be put on the company's website.

The content of some of the chemical substances does not need to be indicated on the labelling, and other chemical substances do not need to be indicated on labelling if they are below the standard value. However, these must still be shown on the company's website.



Label indicating substances contained in product

Green Mark Labelling

Electrical and electronic equipment whose content of the specified chemical substances does not exceed the standard values may bear Japan's Green Mark eco-label on the conditions stated in the Guidelines for Using the Green Mark for Specified Chemical Substances in Electrical and Electronic Equipment.*



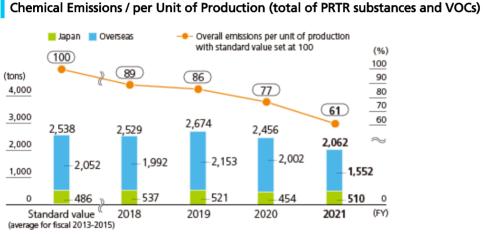
* The Guideline is issued by the following three industry associations. Japan Electronics and Information Technology Industries Association (JEITA) Japan Electrical Manufacturers' Association (JEMA) Japan Refrigeration and Air Conditioning Industry Association (JRAIA)

MANAGEMENT AND REDUCTION OF CHEMICAL SUBSTANCES DURING PRODUCTION

Management of Chemical Substances

Daikin bases around the world take voluntary action to reduce the amounts of various chemical substances, such as PRTR substances and VOCs. In fiscal 2021, a new reduction target was set for emissions of chemical substances. We are working toward a target of reducing emissions per unit of production (total of PRTR substances and VOCs) in fiscal 2025 by 10% against the standard value (average for fiscal 2013-2015).

In fiscal 2021 we achieved a 39% reduction against the standard value. In fiscal 2021, Daikin Air-conditioning (Shanghai) Co., Ltd. achieved significant results in the initiative to enhance VOC recovery.



average for fiscal 2015-2013

M Terminology

PRTR Law (Law concerning Pollutant Release and Transfer Register)

Enacted in Japan in 1999, the PRTR Law is a legal framework in Japan for the calculation and publicizing of the amounts of certain hazardous chemical substances that are emitted or transferred as waste into the environment (air, water, and soil) or into public sewage systems. Other countries have similar regulations. The PRTR Law was revised in 2009.

Compilation of PRTR Substances (PRTR Substances of which at Least 1 ton was Handled)

> See ESG Data (Page 653)

Elimination of PFOA Emissions

Total Elimination of the Manufacture and Use of PFOA by Developing Substitutes

Perfluorooctanoic Acid (PFOA) is a man-made chemical substance that has been conventionally used as a polymerization aid for fluororesins. It does not readily degrade in nature and is thus a substance of concern for the environment and human safety. At the end of 2015, as part of its efforts toward sustainable management of chemical substances, Daikin Industries, Ltd. ceased manufacturing and using PFOA and similar compounds, as well as products made from these.

After stopping the manufacture of PFOA, we conduct sampling inspections of PFOA concentration in products checking whether any contaminants from the environment are present, and we have been replacing it with substitutes that have a lower negative impact on the environment. For these substitutes as well, we are minimizing their discharge into the environment by pooling our technologies as part of our ongoing efforts to lower environmental burden.

Furthermore, the standard value for tap water and water environment was set at 50 ng/L^{*} for PFOS and PFOA combined since April 2020, and monitoring will be required going forward. The standard value of 50 ng/L is an extremely low value, with trace amount possibly still present in the groundwater on factory premises that had used PFOA in the past; therefore, we are working together with the local government and experts in groundwater pumping and purifying. We are also implementing enhanced measures such as enclosing the area with water impermeable walls.

* There are 100,000,000 nanograms (ng) in a gram.

PREVENTING POLLUTION

Preventing Pollution

Minimizing Environmental Damage in Case of Accident or Disaster

Daikin has systems in place that allow it to minimize environmental damage if there should be an accident or calamity at Daikin production sites around the world. Our Disaster Prevention Manual details how to deal with emergencies like chemical and oil leaks, spills, and earthquakes. The manual is the basis for regular emergency drills.

Training held at each plant (fiscal 2021)

	Main training
Sakai Plant	Emergency training with added features based on consideration for prevention of COVID-19 in evacuation and roll calls in preparation for earthquakes is held four times a year at Rinkai Factory, and twice a year at Kanaoka Factory Water quality emergency training is conducted at Kanaoka Factory and Rinkai Factory to prevent outflow of oil leaks while disinfection of emergency supplies with alcohol is performed based on consideration for infection prevention
Shiga Plant	Emergency materials storage check patrol and water quality accident and emergency training, practical training on recovery methods for oil leaks and leakage prevention measures (conducted once in total)
Yodogawa Plant	Training on evacuation activity that avoids the 3 C's in place of the three cancelled training sessions due to the COVID-19 pandemic, fundamental action training for new employees, chemical accident response training, and parts training for oil spill and leak prevention measures
Kashima Plant	Evacuation training was held based on the scenario of plant accident and tsunami caused by an earthquake, while disaster prevention training was held two times based on the scenario of a fire occuring as a secondary disaster



Practical training on oil recovery and sandbag installation

Monitoring Environmental Standards

Strict Management at Manufacturing Bases Exceeds Legal Requirements

Daikin controls air and water pollution using voluntary standards that are stricter than national environmental standards and local government by-laws. We regularly measure our various environmental impacts and work to either prevent or decrease them.

Monitored environmental data for Daikin Industries, Ltd.'s four manufacturing bases is on the Daikin website.

Related information

> Report by business site (https://www.daikin.com/csr/report/site_data)

Measures for Soil and Groundwater Pollution

Dealing with Soil Pollution at the Yodogawa Plant

At the Yodogawa Plant, it was discovered that the site's groundwater contained concentrations of chloroethylene that exceeded environmental standards. This was reported to the Osaka Prefectural authorities, and we continued to pump up groundwater to prevent pollution from spreading beyond the boundaries of the site.

Groundwater Cleanup Continues at the Kashima Plant

In 2000, the concentration of organic chlorine-based compounds in groundwater at the Kashima Plant was found to exceed environmental standards. We continued groundwater cleanup, and confirmed that pollution concentration in the groundwater was reduced to below the standards through measurements in fiscal 2020. We have continued our cleanup efforts and conducted measurements in fiscal 2021.

Storage and Treatment of PCBs

Implementing Strict Management and Disposal of Equipment Containing PCBs

Daikin abides by national laws in properly managing equipment containing PCBs (polychlorinated biphenyls). We have been disposing of waste with high PCB concentrations based on PCB disposal plans of the Japan Environmental Storage & Safety Corporation (JESCO), and we were one of the first companies to register with JESCO. Waste with low PCB concentrations is being disposed of based on a Daikin disposal plan.

Environment Protecting Biodiversity



Basic Policy

Our society is built upon the many blessings that nature gives us. The source of these blessings is biodiversity. Daikin's business has a major effect on biodiversity through global warming. That's why we strive to reduce greenhouse gas emissions in all of our business activities. Moreover, we take biodiversity into consideration in our raw materials procurement and protection of the local environment around our business sites. Furthermore, we are also working to protect biodiversity through social contribution activities. Through our focus on protecting and nurturing forests, "nature's air conditioners," we are continuously striving to maintain balance in the world's ecosystems so that we can help bring back the abundance of the natural world.



The Daikin Group works to maintain balance in the world's valuable nature and ecosystems so that we can help bring back the abundance of the natural world.



> "Forests for the Air" Project 🗖 (https://www.daikin.com/csr/forests)

PROTECTING BIODIVERSITY

Basic Policy of Protecting Biodiversity

Protect and Rejuvenate the Gifts of Nature

Human society is made possible thanks to the many blessings of biodiversity. For example, our rich forests provide us with oxygen through photosynthesis, they act as natural air conditioners by giving off water vapor that keeps atmospheric temperature from rising, and they act as air purifiers by removing pollutants from the atmosphere. As a company whose job is to provide comfortable air environments, Daikin considers forests to be the Earth's air conditioners. That's why we do all we can to protect biodiversity, both through our business and through environmental contribution activities.

The biggest impact, in the Daikin Group's business activities, on biodiversity is the emission of greenhouse gases. We therefore strive to minimize greenhouse gas emissions in all stages of our business: development and design, production, and sales.

As for our environmental contribution activities, we focus on protecting and fostering the natural riches of forests, which we call 'nature's air conditioners.' In the countries and regions in which we do business, we work with governments, residents groups, NPOs, and NGOs in efforts including the protection and rejuvenation of nature and the creation of new forests on our premises. We offer support to the employees who are conducting these activities, and we strive to provide information and education to the general public.

The ideas stated here form our Basic Philosophy on Protecting Biodiversity, which we established in September 2010.

Basic Policy of Protecting Biodiversity

We act for the sake of abundant greenery and fresh air.

Thinking Behind Our Basic Philosophy (established September 2010)

Our society is built upon the many blessing that nature gives us. The source of these blessings is biodiversity. The loss of this biodiversity would hurt our water, food, and other aspects of our life.

Daikin's business also has a major effect on biodiversity through our contribution to global warming.

To contribute to a sustainable society, we strive to reduce our contribution to global warming throughout our business activities, and to maintain balance in ecosystems so that we can help bring back the abundance of the natural world.

Main Efforts

In Business

- Reduction of greenhouse gas emissions throughout our business activities
- Reduce greenhouse gas emissions throughout our entire business activities, including product development and production, transportation, sales, service, and the supply chain.

Outside of Business

Protection and rejuvenation of the blessings of nature

- 1. In the countries and regions in which we do business, we work with governments, residents groups, NPOs, and NGOs in efforts including the protection and rejuvenation of nature.
- 2. We create new forests on our premises.
- 3. We support employees in their volunteer work.
- 4. We provide the public with information and education.

Initiatives around the World

"Forests for the Air" Project Helps Preserve Irreplaceable Resources—The World's Valuable Forests

In 2014, Daikin launched its "Forests for the Air" project aimed at preserving valuable forests in seven locations around the world. The goal for the project's 10-year period is to conserve forests covering some 11 million hectares and in the process contribute to reducing 7 million tons of CO₂ emissions.

In each of the seven locations, Daikin leverages global partnerships in not just planting trees but in helping local residents secure a livelihood that reduces their dependence on cutting down the trees of the forest. Through forest preservation, the project aims to solve social problems such as poverty and thus contribute to the achievement of Sustainable Development Goals (SDGs).

Related information

> "Forests for the Air" Project 🗖 (https://www.daikin.com/csr/forests)

Efforts at Bases

Daikin Ales Aoya Training Center Works to Protect and Rejuvenate Natural Forests on Coastal Dunes and Beaches

Daikin Ales Aoya in Tottori Prefecture, Japan is a center for the training of employees who will be active on the world stage.

The facility is located at Idegahama, a beach known for its 'whistling sand.' The area is home to a typical coastal vegetation ecosystem: starting from the beach gradually give way to taller trees. However, this coastal vegetation has been rapidly disappearing in the last decade or two.

When Daikin Industries, Ltd. began to not just protect these rare beaches and dunes, but also bring back the nature that had been lost so that this coastal ecosystem could once again return to its natural state. We began by surveying the region's vegetation, based on which we made a proposal to plant vegetation. After implementation, we had advice from experts in the monitoring and fostering of the vegetation.

Daikin Ales Aoya serves to raise employees' environmental awareness through courses such as seedlingplanting during new employee training. We also provide opportunities for local residents to utilize Daikin Ales Aoya. Since July 2016, it has been lent to Tottori University for use as a testing ground for practicing garden management where students conducted field work in protecting coastal vegetation and planting trees in coastal areas.

These activities were recognized with Excellent Stage 3 certification, which is the second highest level on the 5-step evaluation of the SEGES social/environmental contribution greenery evaluation system run by the Organization for Landscape and Urban Green Infrastructure.



Daikin Ales Aoya (overview)



Mark of certification for the SEGES (Social and Environmental Green Evaluation System)

Species on the Red Data Book of Tottori Prefecture and the National Government

These species are effective at resisting invasive species and are important to protecting beach vegetation.



Beachwort



Siberian sea rosemary



Scutellaria strigillosa



Heteropappus hispidus

Creating habitats for living things with the biotope at the Sakai Plant

A biotope was set up at the Sakai Plant in 2012 to establish a habitat for living things found in Sakai City. Since then, greening activities have been conducted around the biotope involving employees and their families through company functions and events.

Currently there are many aquatic lifeforms in the biotope at Kanaoka Factory, which is surrounded by residential areas, including fish such as Oryzias and Pseudorasbora parva, and others like giant dragonfly larva and Bellamya quadrata histrica. Also, birds such as spot-billed ducks and wagtails have come to visit. Going forward, we will further promote our activities with a medium- to long-term vision to host living things using endangered butterfly species, such as chestnut tiger and musk swallowtail, as indicators, while obtaining advice from experts.



Biotope at Kanaoka Factory



Ecological survey



Oryzias and Pseudorasbora parva

Shiga Plant Rejuvenates a Community Forest for Coexistence Between People and Nature

The Shiga Plant of Daikin Industries, Ltd. began work to rejuvenate a community forest on its premises in fiscal 2012.

The conservation area was named the Daikin Shiga Forest and it was decided to use fireflies as a way to assess the effectiveness of the rejuvenation efforts.

Since fiscal 2016, we have utilized the Daikin Shiga Forest as a place for environmental education; for example, we take Daikin employee family members and local elementary school students on nature walks in the forest. In fiscal 2019, we held environmental education programs for elementary schools as well as families in the community.

In fiscal 2020, our employees planted 50 native Japanese irises at Shiga Plant in commemoration of the 50th anniversary of the plant. We aim to replace the existing yellow irises^{*1} growing in the area that are non-native species systematically going forward in order to create a high quality Satoyama. In addition, in fiscal 2021, we started to introduce Hydrocharis dubia^{*2} as a native species. At the same time, our employees have been removing alien species regularly and expanding the circle of their activities.

- *1 A naturalized non-native species under the Iridaceae family which has been designated as a priority target alien species on the List of Designated Invasive Alien Species by the Ministry of the Environment.
- *2 An aquatic perennial herb which has been declining nationwide due to levee protection work and invasive alien species. It has been designated as a near endangered species in the Ministry of the Environment Red Data Book.



Planting iris

Employees removing alien species

Nature Forest at Yodogawa Plant

The TIC Forest developed in conjunction with the opening of the Technology and Innovation Center (TIC) in fiscal 2015 is gradually looking more like a natural forest. Instead of leaving the forest up to natural selection, our employee volunteers have been working steadily to remove pests and prune dried branches. As a result, the forest has evolved into a place where a variety of species live and visit, including Peregrine falcon, stag beetle, musk swallowtail, and raccoon dog. We have chosen fireflies as the species for evaluating biodiversity, and started releasing their larvae and observing their emergence since fiscal 2018. In fiscal 2020, we confirmed at least 20 fireflies thriving in the area, and in fiscal 2021, we confirmed the presence of at least 30 fireflies as a result of natural breeding without releasing additional larvae.



Riverbed cleaning



Stag beetle



Musk swallowtail

Projects in Surrounding Neighborhoods

Rejuvenating Community Forests in Osaka Prefecture

Daikin has been involved in Satoyama restoration in places where it operates, including in Harashiroyama forest in Takatsuki City since fiscal 2012 and in Izuhara in Ibaraki City since fiscal 2016. Both of these efforts are part of the Prefecture of Osaka's "Adopt a Forest" project, in which the prefecture mediates companies' purchases from private landowners so that forest land is preserved.

At Harashiroyama forest, which was traditionally used to harvest bamboo, and to obtain wood for firewood and making charcoal, Daikin is working with local residents to thin out and rejuvenate this local forest in order to restore productivity of the bamboo forests that have fallen into disrepair due to overgrowth. Daikin employees are also involved in activities as forest volunteers. Phase 2 of the exercise was completed at the end of fiscal 2021, while Phase 3 will continue until March 2025. At Izuhara, activities will continue until March 2025 with the goal of creating an abundant ecosystem in an abandoned coppice forest. A total of 130 employees and their families volunteered in the Harashiroyama and Izuhara forest projects as of the end of fiscal 2019. In fiscal 2021, forest development activity was held once at each location after a two-year break, with 15 employees participated in Harashiroyama and 16 employees participated in Izuhara.

Ongoing Efforts at Overseas Bases Including Tree-Planting and Biodiversity Protection

To protect the natural environment adjacent to Daikin's worldwide production and sales bases, we conduct activities such as tree-planting, protection of nearby oceans and rivers, and protection of biodiversity.

Examples of biodiversity protection efforts in overseas bases

Base	Activity content
	In December 2020, a tree-planting activity was held at Boonyarasri Temple, Klong Tamru, Muang, Chonburi where the factory is as part of the "Love Water, Love Forest, and Save the Land Project."
Daikin Industries Thailand) Ltd.	
	Mangrove forest preservation activities contribute to the preservation of biodiversity by protecting the environment creatures live and grow in while preserving the livelihood of fishermen engaged in traditional fishing practices.
Daikin Compressor Industries Ltd.	
McQuay Air	We are improving the habitat for animals and plants within the factory premises. Through properly caring for and replenishing trees, we increased green space from what was originally 8,873 square meters to 11,071 square meters in 2020. This provides perches for birds such as turtle doves, sparrow and magpies.

McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.



Base

Activity content

The two bee nests found on the premises in 2020 are being properly managed with cooperation from a local beekeeping association. As an important pollinator in nature, the habitat loss for bees is a concern in Germany in recent years. We will continue our efforts for the survival of bees. In addition, we have set up several insect hotels that help beneficial insects build nests and survive the winter.



In fiscal 2021, we installed three bird feeders on the premises. This intends to help birds find food during the cold winter months. The first year interns are in charge of the installation, while future interns are expected to carry on the task every winter in order for them to learn about the importance of biodiversity.



Related information

- > Protecting the Environment (Page 519)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data)

DAIKIN Manufacturing Germany GmbH



Environment

HISTORY OF ENVIRONMENTAL ACTIVITIES

History of Environmental Activities

	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
1970s	 Environmental Pollution Control System established Environmental Pollution Control Committee established Environmental Pollution Control Regulations enacted Environmental Month started 		
1980s	 Daikin Group Environmental Control Committee established Daikin Group Environmental Management Regulations enacted Began dealing with fluorocarbon problem 		
1991			Began HFC mass- production
1992	 Director responsible for environmental protection and Global Environment Dept. established 		

	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
1993	 Actions Principles on Environmental Protection enacted Environmental Action Plan enacted 		
1994	 Began building environmental management system 		
1995	 Environmental audits launched 	 Released chiller using HFC refrigerant Started air conditioner forums 	• Ceased production of CFC
1996	 Acquired ISO 14001 certification in all Daikin Industries, Ltd. production bases in Japan 		
1997	 Began working toward ISO 14001 certification in overseas production bases 		
1998	 First Environmental Report published 	 Released Super Inverter 60 ultra- energy-efficient commercial air conditioner Released HFC multi- purpose air conditioner for buildings, HFC residential air conditioners 	

		Air Condtioning Divisions	Chemicals Divisions
	Daikin Group	(Japan)	(Japan)
1999	 Environmental accounting introduced, Environmental Meetings launched 		 Established fluorocarbon destruction facilities
2000	• Start of green procurement	 Released Super Inverter ZEAS ultra- energy-efficient HFC air conditioner 	
2001	 Environmental Action Plan 2005 enacted Achieved zero waste emissions in Daikin Industries, Ltd. production bases in Japan (machinery divisions) Regional Environmental Meetings launched Environmental meetings started in each of four regions (Europe, North America, China, and Asia/ Oceania) 		
2002	 Basic Environmental Policy of the Daikin Group enacted Related information (Page 124) 	 Began fluorocarbon recovery and destruction business Completed Conversion to HFC refrigerant for all major products (in Japan) 	
2003	 Aquired integrated ISO 14001 certification in Daikin Group in Japan 		

	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
2004	 Achieved zero waste emissions in all Daikin Industries, Ltd. production bases in Japan 		
2006	 Environmental Action Plan 2010 enacted CSR Report published 	 Released Daikin Altherma air-to- water heat-pump space and hot water heater in Europe 	
2007		 Air conditioner forums in Europe and the U.S. launched 	
2008	 Formulated the latter half of the Fusion 10 strategic management plan, which stresses proactive contribution to solving environmental problems, as well as business expansion Started for reforestation in Indonesia 	 Released world's first VRV system (mult-split type air conditioner for building) using CO₂ refrigerant Air conditioner forums in Japan launched 	
2009		 Air conditioner forums in China launched 	
2010		 Air conditioner forums in Asia/Oceania launched 	

	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
2011	 Formulated Environmental Action Plan 2015 Started environmental protection activities in Shiretoko 		
2012		 Released Urusara 7 residential air conditioner, world's first air conditioner to use the new R-32 refrigerant 	
2013		 Released FIVE STAR ZEAS, world's first commercial air conditioner to use new refrigerant R-32 	
2014	 Started "Forests for the Air" project Related information (https://www.daikin.com/csr/forests) 	 Released cooling- only variable speed (inverter) air conditioners for emerging countries 	
2015	 Daikin offers companies worldwide free access to its 93 patents on the manufacture and sale of R- 32 air conditioners "Daikin's Policy and Comprehensive Actions on the Environmental Impact of Refrigerants" published Related information (https://www.daikin.com/csr/information) 	tion/influence)	

	Daikin Group	Air Condtioning Divisions (Japan)	Chemicals Divisions (Japan)
2016	 Environmental Action Plan 2020, CSR Action Plan 2020 formulated Sustainability Report published 		
2018	 Environmental Vision 2050 formulated Related information (Page 51) 10th anniversary event for forest restoration in Indonesia held 		
2019	 Endorsed the TCFD's recommendations Related information (Page 57) 		
2021	 Established medium-term targets (2025 and 2030 targets) to achieve net zero greenhouse gas emissions by 2050 Related information (Page 51) Held event commemorating the 10th anniversary of forest conservation in Shiretoko 		

Environment ENDORSEMENT AS AN ECO FIRST COMPANY

Daikin Industries, Ltd. First Company in Air Conditioner Industry to be Endorsed as an Eco First Company by Ministry of the Environment

On November 11, 2008, Daikin Industries, Ltd. was presented with official certification for the Eco First Program established by Japan's Ministry of the Environment in April 2008. The award recognized Daikin's Eco First Commitment of environmental protection targets. Daikin is now the first company in its industry to earn the right to use the Eco First symbol.

Under the Eco First Program, companies make a commitment to the Ministry of the Environment to carry out voluntary environmental protection activities aimed at meeting the targets of the Kyoto Protocol.

As the world's only developer and manufacturer of both air conditioners and their refrigerants, the Daikin Group makes it a top priority to reduce global warming. Using our strengths in energy-efficient technologies, we strive to mitigate our impact on climate change.

Under our Eco First Commitment, which we revised in March 2012 and October 2017, the Daikin Group is striving to achieve both environmental sustainability and corporate growth by making the most of environmental technologies such as inverters and heat pumps to drive our business.



The Eco First symbol

Daikin Group's Eco First Commitment

- 1. By developing and disseminating products that contribute to mitigating global warming, we aim to reduce greenhouse gas emissions in fiscal 2020 by 60 million tons-CO₂.
 - We will disseminate energy-efficient products, such as low-energy-consuming inverter models, worldwide.
 - In worldwide markets, we will introduce air conditioners that use low-global-warming-potential refrigerants such as R-32, which has two-thirds less global warming potential than conventional refrigerants.
 - By promoting the recovery and destruction of refrigerants, we will minimize refrigerant leakage in all stages from production to final product disposal.
 - We will develop and disseminate heat pump space heaters and hot water heaters, which are much more energy efficient than gas-combustion products, by adapting to local conditions.
 - By introducing our energy-efficient solutions businesses, such as air conditioner remote monitoring systems, to worldwide markets, we will contribute to greater energy efficiency in entire buildings and towns.
- 2. To minimize the environmental impact of our production activities, in fiscal 2020 we aim to reduce the Daikin Group's emissions of greenhouse gases (CO₂, HFCs, PFCs) by 70% over fiscal 2005 (a reduction of 3.5 million tons-CO₂).
 - Even as we increase the number of our production bases and our production volume, we will reduce the Daikin Group's total greenhouse gas emissions through numerous measures; for example, eliminate wasted energy by making energy usage more transparent, and thoroughly recover fluorocarbons in production processes.
 - We will reduce emissions through strict management of waste, water usage, and chemical substances.
- 3. We aim to work together with stakeholders to protect biodiversity. We will also expand the Green Heart circle, considering the Earth and taking care of the natural environment.
 - Through Daikin's "Forests for the Air" project, which is being undertaken at seven locations around the world, during the 10-year period from 2014 to 2024, we will conserve forests covering some 11 million hectares and in the process contribute to reducing CO₂ emissions by 7 million tons-CO₂.
 - Employees are the main drivers in initiatives at our worldwide bases to certify factories and offices under our Green Heart system. Daikin employees boost their environmental awareness by minimizing environmental impact through energy efficiency and other measures, creating and preserving biodiversity at their companies, and teaming up with local citizens in carrying out environmental and social contribution activities.
 - By holding free-of-charge environmental education classes for elementary schools, we provide an opportunity for youngsters to learn how to build a sustainable society.

Related information

> Environment (Page 120)



Sustainability Report



Value with Air

Value Provision Themes Value with Air



Policy

We will contribute to healthy and comfortable living using the power of air

Why is it important?

There is increased awareness and demand for air quality among people around the world amid higher incidence of adverse health effects due to the spread of infectious diseases and fine particulate matter in the air (PM2.5).

Daikin's Approach

We strive to contribute to the safety, peace of mind, as well as health and comfort of all people, while embracing the challenge to deliver air environments that enhance quality of life by positively effecting the mind and body.

Sustainability Targets and Results

Focus on businesses that help control air pollution and infectious diseases to provide a safe, reliable, healthy and comfortable air environment

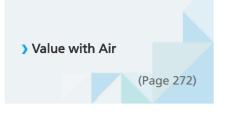
•Net sales of IAQ/Ventilation business:

We used net sales to measure the extent to which we provide a safe, reliable, healthy and comfortable air environment

Medium-Term Targets

Fiscal 2021 Achievements

290 billion yen in fiscal 2023 > 230 billion yen



We strive to contribute to everyone's safety, peace of mind, and health and comfort while creating air environments that enhance quality of life.

- Feature of Fiscal 2021: Value with Air—Creating an Environment Conducive to Napping for Greater Vitality (Page 632)
- Feature of Fiscal 2020: New Value Creation—Providing Comfortable Air Environments Using the Best Format Possible, from Goods to Services (https://www.daikin.com/csr/feature2020/02)
- Feature of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation (https://www.daikin.com/csr/feature2019/02)

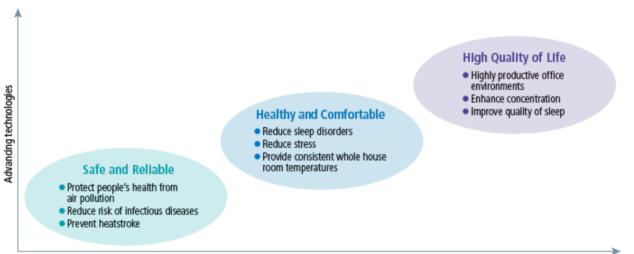
Value with Air VALUE WITH AIR

Overview

As a company that prides itself on providing solutions with air, Daikin continues to pursue and create new value with air. In Daikin's long-term policy outlined in Environmental Vision 2050, we have indicated our determination to resolve social issues with products and solutions that utilize the strength of air.

We will continue to meet the needs for safety, reliability, health and, comfort of people around the world using the technology we have refined as a manufacturer exclusively dedicated to air conditioning, air purification, and disinfection. Furthermore, we will also take on the challenge of creating an air environment that brings positive physical and psychological effects, such as improved productivity, and enhances quality of life.

Image: The power of air



Diversifying needs

Ventilation and air purification

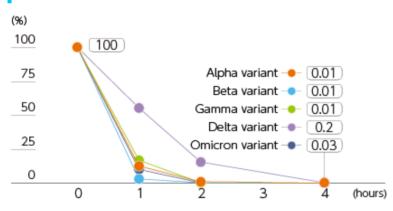
Our lifestyle and behavioral patterns have drastically changed since the start of the COVID-19 pandemic and we have also become more aware of indoor air quality. Effective ventilation has especially become more important, which together with conventional air purification, have become necessities in quality of life. At Daikin, we pursue ventilation and air purification with excellent comfort and energy efficiency through our years of experience with heat exchange and energy conservation technology.

Confirmed streamer technology inactivates the COVID-19 virus

Daikin, together with the Research Institute for Microbial Diseases, Osaka University, has demonstrated^{*} the ability of Daikin's streamer technology to inactive variants of the novel coronavirus (SARS-CoV-2).

Our streamer technology rolled out in 2004 is an air purifying technology that decomposes harmful substances by oxidation with streamer discharge. To date, its effectiveness against viruses such as avian influenza virus (type A H5N1), bacteria such as E. coli, and more than 60 types of allergens, including cedar pollen have been demonstrated at public research institutes. Testing of streamer discharge was also conducted on the COVID-19 virus. The results showed that more than 99.9% of alpha, beta, and gamma variants and 99.8% of delta variant were inactivated with four-hour exposure to streamer discharge, and over 99.9% of omicron variant was inactivated with two-hour exposure, in comparison to natural decay.

* The results reflect the test condition in which a streamer generator was used, and do not indicate effect of the actual machine or actual usage environment.



Survival of virus variants in comparison to natural decay

Related information

Streamer technology (available in Japanese only) (https://www.daikin.co.jp/air/technology/our-technology/streamer)

Launch of 4 UV Streamer air purifiers

Since December 2021, Daikin sequentially released four commercial air purifiers equipped with its proprietary streamer technology and UVC LED, which eradiates deep ultraviolet at a wavelength of 265 nm, offering a high antiviral and antibacterial effect. As the government of Japan aims for economic recovery, the use of air purifiers is recommended* for spaces with insufficient ventilation. These newly released products answer the need for suppressing viruses in commercial spaces.

The UV Humidifying Streamer air purifier is suitable for spaces where people are present for a long period of time, such as nursing care facilities and hospitals. The Ceiling Mounted Cassette Type UV Streamer air purifier and UV Streamer Disinfection Unit built into the outdoor air conditioning unit are suitable for closed spaces such as restaurants. The UV Powerful Streamer air purifier with large volume fan is suitable for large spaces where many people come and go, such as entrance lobbies to offices.

The year 2022 marks the 50th anniversary of Daikin's development of air purifiers. Going forward, we will continue to make contributions to creating an air environment where everyone can feel safe.

- * Source: Release of information: how to ensure proper ventilation in poor-ventilated closed spaces in winter (November 27), Ministry of Health, Labour and Welfare
 - https://www.mhlw.go.jp/stf/newpage_15102.html (available in Japanese only) -



UV Streamer Air Purifier Series

Related information

 ${f >}$ Four new UV Streamer air purifiers launched (available in Japanese only) \square

(https://www.daikin.co.jp/press/2021/20211130)

Formulated reference guidelines on infectious disease control for schools through industry-academia collaboration

Through industry-academic collaboration, Daikin has formulated a reference guideline for school administrators that summarizes specific measures on how to prepare the indoor environment to reduce the risks of respiratory infections, such as COVID-19, as published by government and public agencies, including the Ministry of Health, Labour and Welfare, based on technical experiments.

This reference guideline reviews the results of research conducted between Daikin and the University of Tokyo on airborne and aerosol transmission^{*} countermeasures, and between the University of Tokyo and Nippon Paint Holdings Co., Ltd. on countermeasures to infection through contact transmission. We formulated specific suggestions based on the results from joint field experiments and simulations conducted in schools between the three parties.

In school settings, many students generally spend a long time together in one classroom space. Not only it is difficult to ventilate air without ensuring the distance between bodies and compromising comfort, but regular disinfection work also requires time and effort. The reference guideline contains measures to handle ventilation, and suggests antiviral/antibacterial coating on places that are frequently touched by people and locations where infectious droplets tend to remain for a long period of time. By providing practical and specific measures that can be implemented at an early stage at existing school facilities and expand their implementation, we can expect to create a safer, secure, and more comfortable learning environment.

* Aerosol transmission refers to transmission of infection by inhalation of airborne fine particles of relatively small particle size generated in the process of droplets containing bacteria, viruses, etc. emitted from an infected person evaporating and becoming droplet nuclei of small particle size.

Venti-air, an Exposed Installation Total Heat Exchanger Unit that Achieves both Ventilation and Energy Saving for Business Stores, etc.

Venti-air, an exposed installation type of total heat exchanger unit, is a commercial ventilation equipment that can be used in small spaces. It is equipped with a built-in energy recovery apparatus to prevent cool or hot air to escape from indoors, and achieves efficient ventilation without compromising the energy efficiency. In comparison to installation of a general ventilation equipment, this product is capable of reducing 26% of the increased power consumption.* The energy saving performance and ease of retrofit installation on an existing building has earned the product the Chairman Prize of Energy Conservation Center, Japan, in the product and business model of the fiscal 2020 Energy Conservation Grand Prize.

The design is also familiar to the interior of cafes and shops, making it easy for store to adopt the exposed installation type model, as well as giving rise to having conversation with customers on ventilation.

* Surveyed by Daikin, as a comparison to common ventilation equipment (250 m³/h) in a small sized store of 25 m² to meet the recommendation of 30 m3/h/person by the Ministry of Health, Labour and Welfare.



Example of exposed Venti-air installation

Related information

> Ventilation Products (available in Japanese only) 🗖 (https://www.ac.daikin.co.jp/va/kinou1)

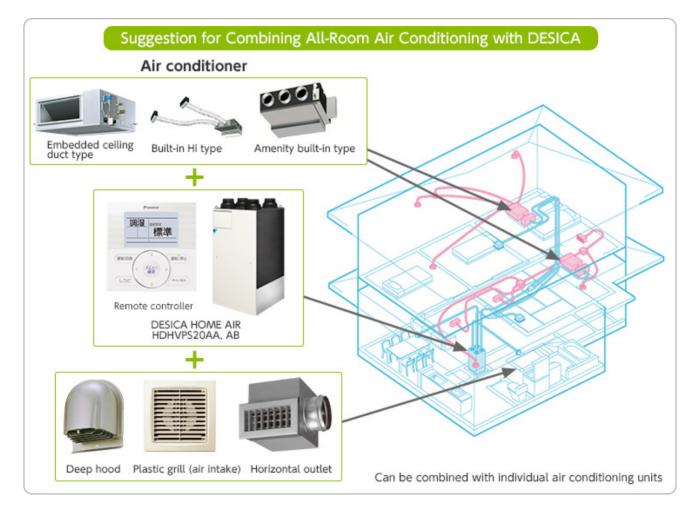
DESICA Series highly rated for both commercial and detached home use

Requiring no water drainage or supply pipes, commercial grade DESICA instead uses outside air to control humidity, either humidifying or dehumidifying. Equipped with the Hybrid DESICA Element, which contains both highly efficient water absorption material and a heat exchanger, it consumes just one-sixth the energy of conventional devices (according to Daikin tests).

DESICA HOME AIR for detached homes, which controls humidity and ventilation throughout the entire house, provides high-quality air and energy efficiency. Just one unit offers round-the-clock, year-round comfort control for all rooms in homes with floor space of between 120 m2 and 200 m2. Because it is floor standing, maintenance such as replacement and cleaning of the high-performance filter is easy. The DESICA HOME AIR has been adopted in many homes.

DESICA HOME AIR

Customers achieve the best balance of temperature and humidity by choosing a product and combination of parts from the extensive lineup.





Related information > DESICA HOME AIR (available in Japanese only) (https://www.ac.daikin.co.jp/kanki_home/desica_home)

Respond to air pollution

We are contributing to reducing air pollution and improving air environment with our filter technology effectively collects dust and purifies the air. Since 2007, we have been expanding our product lineup and expanding technologies through M&A. We have been playing a part in providing a safe and reliable air environment in spaces including residences, large factories, and clean rooms. We have been focusing on the creation of new solutions through the integration of filter and air conditioning technologies and collaboration between industries. One example from 2020 is the release of products such as "negative pressure booth" that prevents the dispersion of air containing viruses, which has a lowered air pressure inside the booth space than outside.

Related information

- > Daikin and Daicel Accelerate Co-creation Aimed at Developing World-First and World-Best Products (Page 388)
- > Feature of Fiscal 2020: Customer Satisfaction— Quickly Providing Air Purification Solutions as a Company that Provides Solutions with Air

(https://www.daikin.com/csr/feature2020/03)

Extending the shelf life of foods

Daikin provides support to the world's food logistics with its refrigeration and freezing technology with a control range between minus 30°C and plus 30°C.

In addition to the detailed temperature control capability, we added a proprietary technology called Active CA to freezer and refrigerator for marine containers in 2015. The technology optimizes the amount of oxygen and carbon dioxide inside the container to suppress the air exchange of fresh produce and delay ripening. This contributes to reducing food loss during long periods of transportation.

Embracing the challenge to achieve air that enhances quality of life

Daikin is in pursuit of safety, reliability, health, and comfort as well as value with air that transcends boundaries. Our ideal air is something that promotes healthy minds and bodies, facilitates study and work, and creates smiles among families and friends. We will embrace the challenge to create an ideal air environment that enhances people's quality of life with an eye toward the future.

- > Establishing a Collaborative Platform Utilizing Data on Air and Space (Page 392)
- > Developing a Comfortable Waking System with KYOCERA Corporation (Page 386)
- > Verification Experiment on Energy Management at New Minoh Campus, Osaka University (Page 375)
- > Co-creation Future Vision Leading to the SDGs and Society 5.0 (Page 372)
- > Feature of 2021: Value with Air— Creating an Environment Conducive to Napping for Greater Vitality (Page 632)

New business models

Daikin strives to create and utilize new business models in order to resolve issues related to air conditioning for every person and in every corner of the world. We have commercialized air conditioning services without having to purchase or own for consumers to enjoy their desirable air environment via XaaS^{*} and subscription-based services.

* XaaS is shorthand for X as a Service, which is a general term of services provided via the Internet. There are other terms such as Product as a Service (PaaS) and Software as a Service (SaaS) that refer to the provision of "services" instead of "products" to users.

Subscription-based Air Conditioning Business in the United Republic of Tanzania

Between November 2019 and February 2020, Daikin conducted a demonstration test on the air conditioning subscription business and payment system using mobile money in the United Republic of Tanzania. We utilized the business know-how, human resources, and sales network of WASSHA Inc. in Tanzania, which provides electricity services to non-electrified areas of Africa using IoT technology. The demonstration test involved introducing a subscription-based service for Daikin's highly efficient air conditioners at small shops and homes in Tanzania.

Following the verification of the feasibility of our business model and potential for contributing to the resolution of social issues by the test, we established a joint venture Baridi Baridi Inc. in June 2020. The company name was coined from the word baridi, which means cooling in the East African language of Swahili, with the hope of delivering comfortable spaces.

In April 2021, 90 units were contracted as a result of soft launch of the subscription-based service for air conditioners via mobile app. The service was officially launched in October of the same year. As of the end of December 2021, a total of 162 units have been contracted for use in small stores, small offices, and general households.

- Feature of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environmentsand Spaces to Africa with Collaborative Innovation (https://www.daikin.com/csr/feature2019/02)
- Baridi Baridi Inc. (https://baridibaridi.com/en.html)

AaaS, a one-step service for air conditioner adoption and operation management

People, who buy an air conditioner, want a comfortable air environment for as long as possible. To satisfy this want, instead of simply selling air conditioners, Daikin needs to identify and provide methods by which consumers can use the functions of its products in the best way possible. That is, we need to change our approach from goods to experiences to deliver services with the most optimal approach to using air conditioning for customers, users and the environment.

Daikin has developed a new PaaS^{*} service called Air as a Service (AaaS) together with Mitsui & Co., Ltd. and began its operations in 2008. AaaS provides Daikin's business resources of air conditioner development and operation along with maintenance services as a package. AaaS is a monthly subscription-based air conditioning service that eliminates the need to purchase air conditioners. Under this service, Daikin provides everything from air conditioner selection and installation to optimal operation, energy management and maintenance as a one-stop service. During the term of the contract, Daikin guarantees the stable operation of its air conditioners using preventive maintenance based on detection of breakdowns. There are no repair costs should a breakdown occur, and all statutory inspections are conducted by Daikin. AaaS can lower a customer's overhead and workforce in terms of upfront installation of air conditioners, electricity consumption, and operations management.

Daikin has concluded AaaS contracts with 31 customers over the past three years from 2018 to 2020. Uegahara Hospital in Hyogo Prefecture is one of these customers. It has been able to reduce electricity consumption from air conditioning by 36.8% over two years compared to before. In addition, staff members are able to focus on their work and a comfortable air environment is maintained for patients.

* PaaS: An acronym for Product as a Service.

- Feature of 2020: New Value Creation— Providing Comfortable Air Environments Using the BestFormat Possible, from Goods to Services (https://www.daikin.com/csr/feature2020/02)
- Air as a Service (available in Japanese only) (https://airasaservice.com/)



Sustainability Report

2022 -Web version-(As of November 2022)

Customer Satisfaction

Customer Satisfaction	4	287
Product Quality and Safety	3	306

Protecting Customer Information 315

Value Provision Themes Customer Satisfaction



Policy

Providing Peace of Mind and Reliability through a Focus on Customer Orientation, Experience, Performance, and Advanced Technologies

Why is it important?

It is our social mission as a manufacturer to provide safe and high-quality products and services that meet the diversifying needs of our customers.

Daikin's Approach

We strive to ensure safety and high quality in all processes from product design to manufacturing, sales and after-sales service by anticipating customers' future wants.

Sustainability Targets and Results

Elevate customer value by connecting with customers and providing detailed proposals in response to the needs of each vertical market

•Net sales of Air Conditioning Solutions business

We used net sales to measure the extent to which we provide solutions tailored to needs

Medium-Term Targets

Fiscal 2021 Achievements

560 billion yen in fiscal 2023

► 500 billion yen

Customer satisfaction with after-sales services

We measured customer satisfaction (setting the base year as 1.00)

Medium-Term Targets

Establish service network covering all regions worldwide Fiscal 2021 Achievements

Japan: 1.14 China: 1.04 India: **1.19** France: **1.02**

Protecting Customer Customer Satisfaction > Product Quality and Safety Information (Page 287) (Page 306) (Page 315) We continue to strive for customer We believe that it is a We manage and use personal satisfaction throughout the manufacturer's mission to provide information about customers in an lifecycle of our products by

understanding the needs of customers around the world and integrating them into product development.

society with safe, high-quality products and services.

appropriate manner.

Related information

- Feature of Fiscal 2020: Customer Satisfaction—Quickly Providing Air Purification Solutions as a Company that Provides Solutions with Air (https://www.daikin.com/csr/feature2020/03)
- Feature of Fiscal 2019: Customer Satisfaction—Developing Fluorochemicals for a Digital World using Co-Creation with Customers (https://www.daikin.com/csr/feature2019/03)
- Feature of Fiscal 2018: Customer Satisfaction—Global Product Development Structure to Quickly Address Various Regional Needs

(https://www.daikin.com/csr/feature2018/03)

➤ Feature of Fiscal 2017: Customer Satisfaction—Create a Mechanism That Brings Peace of Mind by Promoting Adoption of Low-Environmental- Impact Heat-Pump Heating ¹ (0.7MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2017-customer-pdf.pdf)

Customer Satisfaction

CUSTOMER SATISFACTION

Basic Policy

The Daikin Group Philosophy states that our mission is to identify and realize customers' future needs and dreams, even those that they themselves may not yet be aware of. By providing high quality products, materials, and service, as well as proactively proposing new solutions, we want to not only improve convenience and comfort for customers, but also increase the level of customer satisfaction.

Daikin aims to expand development sites and enhance our technical capabilities in responding to diversifying customer needs and creating new value that will contribute to society. We will deliver the best possible customer satisfaction by providing products and services localized to each market and ensuring they have a high level of quality.

We will continue to pursue customer satisfaction throughout the entire lifecycle of our products by assessing customer needs around the world and applying them in our product development and other business efforts. Daikin measures the degree to which customers are satisfied with after-sales services and utilizes this information to improve customer satisfaction. We are engaged in enhancing service engineer technical capabilities and improving the level of support for customers under a basic policy aimed at "the ultimate in quality service through speed, accuracy, and good manners" in the service divisions responsible for maintenance and other services.

Management Structure for Expanding Development Sites

In order to meet diverse customer needs and create new value that contributes to society, it is important that Daikin first build up its technological superiority by leading further advanced technologies: inverters, heat pumps, and fluorochemicals. It is also important to combine state-of-the-art technologies from around the world—such as information-communication, sensors, materials, processing, medicine, and healthcare—with Daikin technologies to come out with products and services that provide new value to customers.

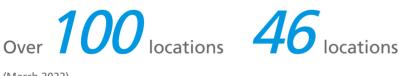
Today's world of unprecedented and rapid technological change requires the creation of new value, which is only possible through collaborative innovation that fuses a wide range of knowledge and technologies and takes us beyond current boundaries. To this end, Daikin established the Technology and Innovation Center in November 2015 with the aim of promoting collaboration with external partners in order to contribute to society through the creation of new value. We have established 30 development bases in six regions around the world at which we develop products in order to promptly and accurately respond to the needs of regional customers.

In November 2019, we established the Technology and Innovation Center CVC Office to promote collaborative creation with startup companies as a mean to accelerate open innovation integrating technologies and knowledge from both inside and outside the company. We will aim to quickly verify hypotheses to create new products, services and business models through collaborative creation with startup companies around the world practicing fast-paced management with advanced technologies, innovative ideas, and a spirit to challenge.

Global Production/Development Bases

Global Production Bases

Global R&D Bases



(March 2022)



Technology Development Base: Technology and Innovation Center

Collaborative Innovation with Internal and External Partners to Create New Value

The Technology and Innovation Center (TIC), Daikin's core base of technological development, brings together approximately 700 technicians in a range of fields. Amassing the strength of Daikin Group technicians, and strengthening cooperation and ties among companies, universities, and research institutes possessing unique technologies in differing industries and fields, the TIC is aimed at combining the strengths of people, information, and technologies from inside and outside Daikin in order to come up with innovation through collaboration.

To maximize this collaboration between Daikin and its partners, the TIC has gathering rooms, which can be used for anything from technician meetings to exchange unbridled opinions, to gatherings of opinion leaders from universities and industries around the world to use as they wish in spreading their ideas. They act as satellite offices of industry-academia collaboration projects between Daikin and the University of Tokyo, Osaka University, and other universities.



Technology and Innovation Center (TIC)

Related information

- Technology and Innovation Center (TIC) (https://www.daikin.com/about/corporate/tic/)
- ➤ Feature of Fiscal 2015: New Value Creation—Collaborative Innovation with Other Industries and Fields (830KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2015-newvaluecreation-pdf.pdf)

Boosting Development Functions around the World

Responding to the Needs That Arise from Differing Cultures and Values in Countries and Regions of the World

Daikin has established over 100 production bases around the world and does business in over 170 countries, and more than 75% of its sales come from outside Japan. To create the new value demanded by customers and their societies, we must develop products that match the cultures and values of each worldwide region. Daikin has R&D centers around the world, including in China, Europe, and North America, where efforts are made to create new value that matches various regional needs.

In today's era of lightning-fast change, conventional core technologies no longer meet the world's diverse needs. That's why in May 2017 we have established the Daikin Open Innovation Lab Silicon Valley (DSV) as a sub-office of the TIC, a place where we come up with distinctly new products through the fusion of state-of-the-art technologies in artificial intelligence (AI) and the Internet of Things (IoT). At the DSV in North America, a society of rapid technological change, we are striving to both absorb current state-of-the-art technologies and strengthen IoT and AI technologies.

In December 2017, we opened the Daikin Information and Communications Technology College in the TIC with the goal of fostering human resources who develop technologies and new businesses utilizing AI. The aim is to create new innovation through basic research in areas such as AI and IoT, the creation of systems for things like smart factories, the passing on of expert production-line techniques to the next generation, and the fostering of human resources who can advance the utilization of AI.

Related information

> Feature of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation

(https://www.daikin.com/csr/feature2019/04)

Increasing Satisfaction with Services

Building a Worldwide Customer Service System

At Daikin, we aim to enhance the comfort and convenience of customers; thereby increasing their satisfaction by taking the initiative to make proactive solution proposals in addition to continually enhancing the skills of our engineers and level of dedication.

For customers in Japan, the Daikin Contact Center is open 24 hours a day, every day of the year for general inquiries from addressing repair requests to providing information and advice on our products from purchasing to technical consultations. We have also established overseas Contact Centers and an information provision platform on our website or via app to build up our after-sales service system so that customers can access the service they need according to the situation in their particular country or region based on Daikin's slogan of "speed, accuracy, and good manners," thereby improving customer satisfaction.



Contact Center (UK)



Customer Service Center (China)

Understanding Service Satisfaction

At Daikin, we conduct customer survey annually to assess the degree of service satisfaction.

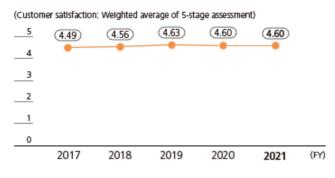
Customer Satisfaction*

	(Base year)	2017	2018	2019	2020	2021
Japan	(FY2015)	1.11	1.13	1.14	1.14	1.14
Spain	(FY2016)	1.21	1.15	1.12	1.13	1.14
China	(FY2018)	-	1.00	1.04	1.04	1.04
India	(FY2016)	1.06	1.09	1.13	1.15	1.19
Indonesia	(FY2017)	1.00	1.03	1.03	1.10	1.11
Singapore	(FY2015)	1.00	1.00	1.00	1.01	1.00
Italy	(FY2019)	-	-	1.00	1.07	1.01
Vietnam	(FY2015)	1.04	1.09	1.11	1.17	1.21
Australia	(FY2015)	1.00	1.00	1.00	1.00	1.02
France	(FY2019)	-	-	1.00	0.98	1.02
UAE	(FY2015)	1.04	1.03	1.04	1.05	1.05

* Satisfaction of after-sales services, regarding the base year as 1.00.

In Japan, we conduct *fureai* surveys to assess customer support within after-sales services. In fiscal 2021, services received an overall customer satisfaction score of 4.60 (average on a scale of 5). We believe this result reflects our enhanced online survey security measures and other priority measures taken such as "dispatch within two days" for commercial air conditioners that we implemented in fiscal 2021.

Overall Satisfaction



Note: Results of responses received as we hand out brochure on online survey upon the completion of service, as well as on postcard-sized surveys that are sent to a random sampling of customers one or two weeks after they receive servicing and have not responded to the online survey. Weighted average on a scale of 5.

Training of Service Engineers

Establishing Systematic Knowledge and Skills Education Necessary for Improving Service Quality

In addition to basic training on air conditioning service quality for service engineers, we conduct a variety of training for each management level and job description and provide education necessary for acquiring certification.

In Japan, we hold workshops and giving technical assessment tests to all service engineers. Our rule is that no one other than service engineers who are certified with a minimum level of skill should carry out repair work alone. We are striving to provide training and education that raises skill levels and produces service engineers who can carry out precise, appropriate work while ensuring their safety on the job, thus meeting customer demands in terms of technologies and skills.

To further improve their abilities, we hold high-level training for chief engineers. So far, a cumulative total of over 2,000 people have passed the certification test for chief engineers. We have revised our certification examination system to incorporate quantitative evaluation for service quality performance in the certification standard in fiscal 2021. The quantification of technical capabilities on the job site allows us to identify their strengths and weaknesses, which will contribute to their growth.

Overseas, we also introduced service engineer certification systems and educational programs among other efforts. We launched programs in China in 2016 and in the ASEAN/ Oceania region in 2017. Further, we will also introduce these programs in Europe and Latin America.

We dispatch service experts from Japan to each country to conduct instructions on brazing, diagnose failures and provide technical guidance on repairs for key personnel to improve service quality. We provide a foundation to enable key personnel to continue developing these efforts in their own country.

Note: Similar to fiscal 2020, we did not dispatch service experts in fiscal 2021 due to the COVID-19 pandemic.

Case Study: Service Olympics

After holding the first Service Olympics in 2016 at which 28 service engineers in 20 countries were selected to compete, the skills contests where participants competed on repair technology and customer support service quality were held in China, Asian countries and European countries. In 2019, contests were held in Central Europe, the U.K., and Thailand, and a regional contest was held for the first time in Europe.

In fiscal 2021, the competitions were put on hold due to the COVID-19 pandemic. Instead, a service innovation contest was held in search of new solution products where we invited participants from around the world to submit their ideas.

Going forward, we will provide an environment in which employees and engineers in each area able to improve through competition.

Case Study: Service University and Service Awards

In the "Service University" training program for service engineers in Japan, participants take training courses right for their job over a period of four years. They also have regular tests to ensure they are retaining what they have learned. In fiscal 2021, there were 63 participants in their first year, 54 in their second year, 24 in their third year, and 24 in their fourth year. During the COVID-19 pandemic, the training program has been offered through our website, such as via e-learning (Daikin Online Training) and Web-LIVE training.

Also, at service bases across Japan, teams are created that compete against each other in the annual Service Awards tournament. There, teams are quantitatively judged and awarded for their level of service in areas such as speed, accuracy, and good manners.

Educational Programs to Improve Installation Quality

Quality of installation work is also an important aspect of customer satisfaction. Daikin Industries, Ltd. has seven training centers around Japan where we hold a variety of courses so that engineers can learn design, installation, and service techniques. We develop training programs to improve the installation and service skills of Daikin engineers as well as dealers.

In fiscal 2021, we established Training Plaza Saitama within the HVAC Kanto Sales Office in Omiya and began lectures on the fundamentals and installation. With the significant increase in demand for heating and cooling, we encourage more attendees to participate in lectures from Saitama and Kanagawa in aiming to enhance partnerships and expertise in installation among dealers.

We implemented an overhaul to step-up training to respond to a wide variety of job types and scopes of work in the market. This involved dividing job types into seven categories and changing the training structure to allow participants to choose training courses that are more practical. We will provide a total of 74 courses, which include step-up training, qualification acquisition and preparation courses for qualification exams. In addition, we added 10 new online courses to extend flexibility to suit different learning styles for distributors to attend the courses more efficiently.

In particular, Daikin is among the first to introduce lectures on flareless joints, which enables consistent installation quality without requiring specialty skills in order to prevent refrigerant leakage resulting from deficient quality in flare installation.

Moreover, we provide support on human resources development to promote and enhance energy management business aimed at improving energy efficiency.

Main New Training

- Introduction to Remote Control for Air Conditioners involving remote control methods such as relay circuits and sequence for small to medium sized buildings that are 100,000 m3 or less for training of service engineers
- Centralized Air Conditioning Control Application to learn the basics of instrumentation engineering, such as remote control and status monitoring by connecting equipment of other companies to system products (iTM)
- System Products Basics (for the Daikin VRV system) to learn the basic knowledge for understanding challenges faced by customers and making appropriate equipment and system product suggestions
- System Products Application (for the Daikin VRV system) to acquire knowledge for incorporating information in other building equipment and making proposals in anticipation of the life cycle
- E-Learning on Introduction to Building Equipment, which is the prerequisite to the above



Skills training for distributors



eco-booklet

Understanding and Reflecting Customer Needs

Stepping Up Worldwide Marketing Research

Daikin is conducting development rooted in the community led by our R&D centers in China and Europe, as well as in other locations around the world, including Asia/Oceania and North America, in order to accurately and promptly assess the needs of each region and apply that knowledge to product development.

In addition, in an effort to development new business and explore new technologies, we utilize open innovation labs to collaborate with local venture firms and start-ups in Silicon Valley and Shenzhen. In Japan, we pursued industrial-academia collaboration with universities such as the University of Tokyo and Osaka University.

Furthermore, with the establishment of the Technology and Innovation Center CVC Office, we are now able to cooperate with start-ups around the world with speedier decision-making processes. By quickly examining novel thinking, we will aim to swiftly create new products, services and business models.

Main Product Development at R&D Center

China	 Air conditioner with PM2.5 filer Indoor unit for kitchens that can deal with intense greasy smoke Indoor unit for bathrooms with enhanced dehumidifying and drying function Development of air quality improvement technology through collaboration between DOSZ and Tsinghua University Development of service utilizing data obtained from air quality and biosensors We plan to implement trials for the above technology and services within China in the future.	
Europe	 Air conditioner with expanded operating range in low temperature range Differentiated products such as heat-pump heater top grade with a higher l water temperature Going forward, we will strengthen collaboration with TIC, such as conducting research with mutual operation, with a focus on the key theme of converting combustion heaters to heat-pump heaters as a strategy for space and water heat in the Fusion 25 Strategic Management Plan. 	
North America	 Create differentiated products by combining Daikin's strength in technology (inverters, multi-split units, refrigerants, etc.) with air conditioning products specific to North America In the future, we will promote the creation of new values through utilizing AI and IoT technology. 	

Example from Daikin Turkey A.S.

Daikin Turkey A.S. is conducting surveys on NPS^{*} and level of satisfaction via questionnaires among its business partners including retailers and service partners. The surveys examine the level of satisfaction, expectations, and requests with regard to quality and services.

Following from the survey result, we enhanced our online features in fiscal 2021 by moving away from mail orders to making it possible to handle quotes and manage orders, sales price of products and inventories online. Currently, this system is being used at many dealers and service partners.

* NPS stands for Net Promoter Score, which is an index that measures customer loyalty.



Provision of product information to customer

Related information

> Feature of Fiscal 2018: Customer Satisfaction—Global Product Development Structure to Quickly Address Various Regional Needs

(https://www.daikin.com/csr/feature2018/03)

Utilization of Daikin Solutions Plaza

To anticipate future customer desires, we believe it is essential that products designers and engineers deepen direct communications with customers. At our Solutions Plaza facilities located in Tokyo, Osaka, Shanghai, New York, Istanbul in Turkey, and throughout the world, we consult with customers while they are browsing actual products and energy management systems.

The virtual showroom fuha that was launched on our website in 2020 offers informative videos on the concerns customers may have or products of interest, as well as direct chat with dedicated staff through Online AC Consultation.

In addition, our initiative for customers to experience fuha up-close, such as Online LIVE Tour that allows customers to see products online, have become well established. Going forward, we will continue to make more new proposals for Daikin's customers.



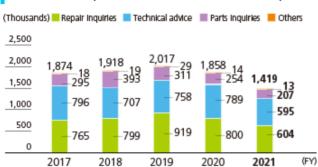
Daikin Solutions Plaza Fuha Osaka

Related information

> fuha, Daikin's hands-on showrooms (available in Japanese only) □ (https://www.ac.daikin.co.jp/fuha)

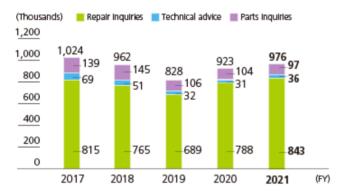
Customer Inquiries Used in Improving Products and Developing New Ones

Requests, complaints, and other information obtained by the Contact Centers is recorded in a database. Information regarding the opinions and requests that sales representatives obtain from customers is shared among the Quality Division and relevant departments, who investigate causes and establish countermeasures to improve products and after-sales services.



Number of Inquiries to the Contact Center (Japan)

Number of Inquiries to the Contact Center (China)



Survey Results Go toward Improving Products and Services

Each division conducts customer surveys to enhance customer satisfaction.

We gather opinions on products on the Daikin website and we invite customers who purchased products to join the Daikin membership site Club Daikin, which has around 600,000 members, through which we conduct questionnaires.

Gathering Customer Feedback for Use in Products Development

Products Reflecting Customer Feedback: risora

In fiscal 2017, in response to requests for stylish air conditioners from customers who "want to remodel their home to become more fashionable but don't know what to about the air conditioner," we developed risora residential air conditioner offering designs that pursue harmony with interior design and offer the latest features.

With a body only 185mm thick, this model pursues comfort of space and is equipped with the latest features, including vertical airflow, ceiling airflow and premium dehumidification, features culminated in the Urusara 7 energy-efficient air conditioner.

In fiscal 2018, we added the option of customizable coatings of the front panel with a selection of 600 colors available in order to coordinate with the diversified interior designs.

The risora residential air conditioner design and functionality have gained a strong reputation in Japan and overseas, winning the fiscal 2017 Good Design Award and the international design award iF Design Award 2018.



risora, which balances design and functionality

Products Reflecting Customer Feedback: Karaie

In fiscal 2018, we launched Karaie, which dehumidifies homes without manual draining, in response to customers who worry about the interior humidity while they are away from home for an extended time for the Japanese market.



Karaie which addresses dehumidification needs at home

Universal Design in Product Development

Developing Products That Anyone Can Use Easily

Daikin incorporates universal design (UD) into product development to enable even the elderly and physically disabled to operate products with ease.

Daikin Industries, Ltd. constantly strives to ensure that UD takes into account the needs of users by developing products with the realization that UD and monozukuri are one and the same.

Products Reflecting Customer Feedback: Intuitive Remote Control Units That Are Easy for Seniors and Foreign Visitors in Japan to Operate

Commercial air conditioners used in offices, shops and hotels are advancing with a variety of features that consider comfort, energy-saving and convenience.

At the same time, remote controls are becoming more complicated, making them difficult to understand by seniors and foreign visitors to Japan, two groups that have been on the rise in recent years, resulting in an inability to use the air conditioner in the way they expect.

The intuitive remote control used for the FIVE STAR ZEAS series of air conditioners for stores and offices released in April 2017 have a limited number of buttons and the LCD display can be changed to make operation easier for the user.

In addition, the display languages include Japanese, English, and for the first time, Chinese, as well as pictograms for those who speak other languages. In addition to the FIVE STAR ZEAS series, the remote controls can be used with multi-split type air conditioners for business use, realizing intuitive remote control operation easy for anyone to understand in a wider range of settings.

Chemicals Divisions Initiatives

The chemicals divisions have identified "improvement of quality," "stable supply," "communication," "response to needs (development of new products)," and "environmental consciousness" as the main points to increase customer satisfaction, and aim to gain greater trust and satisfaction from customers by continually assessing information regarding the level of customer satisfaction and making improvements accordingly.

Product Study Sessions and Various Exchange Gatherings

While the fluorochemical products produced by the chemicals divisions are highly advanced and highly functional materials, molding/processing them can sometimes require specialized methods. Not only do representatives of the Technical Service Department visit our customers to explain about our products, but we also conduct customer-oriented training seminars, titled "the Fluorine Classroom," to explain about the special properties of fluorine materials, and we hold product study sessions to guide them on the molding/processing methods using the facilities and equipment available to the company. In fiscal 2021, we held 20 online sessions of Fluorine Classroom for customers who have expressed interest, which were attended by around 900 participants.

In addition, our annual networking sessions of "Chemicals Customer Appreciation Meeting" and "Dai Fluorine Gas Meeting," which are normally held between top management where participants deepen interactions through the introduction of efforts for application development and functions of fluorine that lead to new application development, have been postponed once again in fiscal 2021 after the previous year due to the COVID-19 pandemic.

In addition, we have vastly increased the amount of product information on our website in efforts to share more about the features and safety of our products. Inquiries from customers via our website are handled by sales representatives, who share the details of these inquiries with Daikin divisions related to technical service, research and development, quality assurance, and environment and safety.

Sharing Broad Knowledge about Product Features and Their Target Fields, Etc.

The sales representatives of the chemicals divisions need to listen to researchers and product developers, who are Daikin customers, about the product functions they seek and offer them the ideal products for their needs. In order to optimize product functions in accordance with the circumstances of these customers, it is essential to have diverse knowledge of such things as processing methods, amount of additives, and temperatures.

For this purpose, once a month the chemicals divisions hold meetings that integrate business, research, and manufacturing, and training sessions. The goal is to share not only business information, but also knowledge regarding products, related laws and patent information. By giving concrete examples of product applications and use, as well as relaying customer needs, these meetings aid in the development of new products and applications. They also give sales staff a deeper understanding of product features so that they can provide customers with new solutions.

In fiscal 2021, sales departments also held training and educational sessions on such topics as the environment, AI & IoT, and compliance.

The chemicals divisions will continue to train personnel so that they acquire a deep knowledge on the use of fluorine in various business situations.

Related information

> Fluorochemicals website (available in Japanese only) 🗖 (https://www.daikinchemicals.com/jp.html)

PRODUCT QUALITY AND SAFETY

Quality Policy

Providing Safe, High-Quality Products and Services

With this in mind, Daikin strives to stay ahead of customer needs by providing high-quality products and services based on its corporate policies of "Absolute Credibility," "Enterprising Management," and "Harmonious Personal Relations."

With a quality management system in place, we ensure that our products are of the highest levels of safety and quality in all processes: from design and manufacture to sales and after-sales service.

Quality Policy in the Divisions

Air conditioning divisions: "Provide high-quality products through relentless improvement activities." Service divisions: "Achieve the highest level of service quality (in speed, accuracy, and politeness)." Chemicals divisions: "Provide quality that sells and that satisfies customers' demands."

Product Quality Management Structure

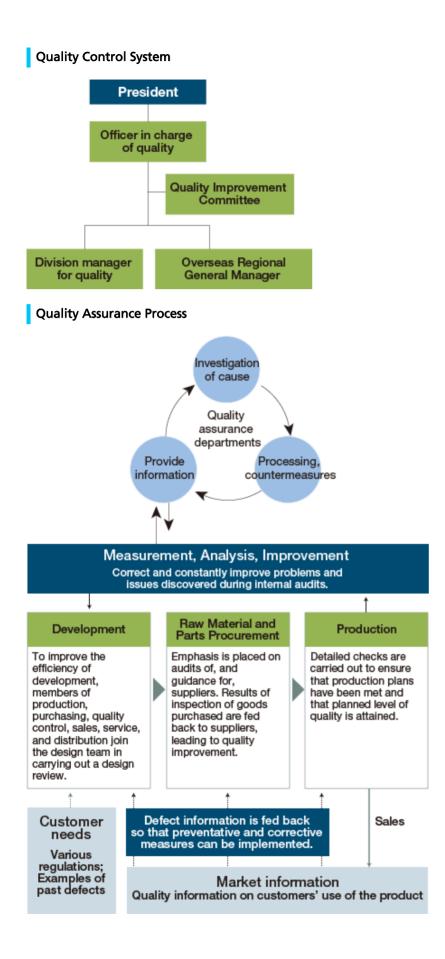
Thorough Management in Development, Procurement, and Production

All major manufacturing bases in Daikin have obtained ISO 9001 certification and have quality management systems conforming to this international standard. Company divisions maintain high levels of product quality and ensure proper management of each department, such as development, procurement, and production. We are also improving quality at our contract manufacturers.

In all aspects of the quality management system, each division continuously carries out internal audits, assesses the operational system, and carries out the PDCA cycle's do, check, and act steps. Furthermore, every year each division sets key quality measures and targets based on the Group's new year policy and then plans and executes a fiscal year plan based on these measures and targets.

Initiatives by each division

	Quality Program
The air conditioning divisions	 With the goal of establishing a Daikin quality that meets customer expectations, the air conditioning divisions strive to take the following initiatives Improve simulation technology and revise design criteria through advanced operating data collection on the market Improve market information analysis by expanding the models and period of monitoring Implement measures to eliminate lot defects caused by equipment Conduct measures to prevent outflow of defects due to human error Enhance the quality of purchased products through co-creation with suppliers
The chemicals divisions	 In the chemicals divisions, we are working to further improve quality and ensure stable supply to meet customer satisfaction. In order to eliminate waste due to quality defects, we are strengthening the verification of settings and management of conditions for making quality products in the manufacturing process. These efforts will drive an awareness toward improving overall quality and ensure dependable quality that helps retain customers even when demand is low. 1. Improve product appeal: Accurately assess customer needs, study the difference in quality compared to competitors' products, and implement quality improvement. 2. Achieve zero defects: Eliminate and provide training on defects resulting from operation and equipment (enhance management procedures on equipment, including work environment by stepping up workers' ability to identify risks), and implement defect elimination with early intervention based on trend management. 3. Strengthen quality process: With fiscal 2021 being the first year for implementing global efforts on stabilizing the quality of major products, we are conducting efforts aimed at achieving both improved productivity and quality.



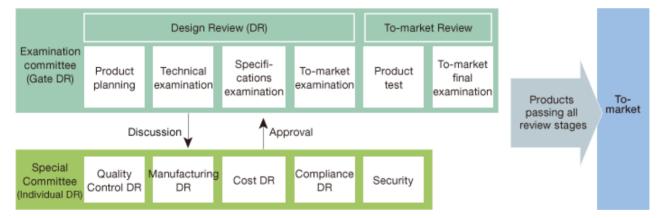
Improving Quality

Only Those Products That Pass Our Strict Design Review for Product Safety Are Manufactured

The air conditioning divisions have reformed their development process with a stricter, more segmented design review^{*} under which the personnel in charge of the development divisions inspect the proposed products for conformity to Daikin standards using the five criteria of an individual design review (DR): product quality, monotsukuri (the art of manufacturing), cost-effectiveness, compliance, and security. The item of security was newly added in fiscal 2020 in response to the heightened information security risks for our company's products.

In the chemicals divisions, we have been conducting reviews based on a four-level management system consisting of development theme verification, technology establishment, business-viability establishment, and mass-productivity. As key review standards, in addition to the four criteria of product quality, monotsukuri (the art of manufacturing), cost-effectiveness, and compliance, we focus on safety and environmental consciousness. Because we were not able to get evaluations in the past from customers and the industry with regards to criteria in the stage of business-viability establishment, we are increasing the number of inspections we do to strengthen design review functionality.

* Design review: A system of coordinated activities covering design quality of products under development and the various processes involved in bringing these products to fruition. The products in question are objectively assessed and improvement suggestions are made, and only those products that pass each stage can move onto the next.



Development Process Raises Quality (Air Conditioning Divisions)

Example of Quality Improvement in Development: Forced Fire Test Conducted in Combustion Test Room

During the development stage, we perform forced ignition tests on actual products to ensure that even if an accident occurs due to a faulty product the problem does not spread beyond the product itself.



Forced fire test conducted in a combustion test room

A fire is set on purpose by igniting a point, such as solid fuel or nichrome wire, in a part where risk of fire exists (such as inside the product casing). This is to ensure fire does not spread beyond the product.

Example of Quality Improvement in Development: Global Product Structural Audit

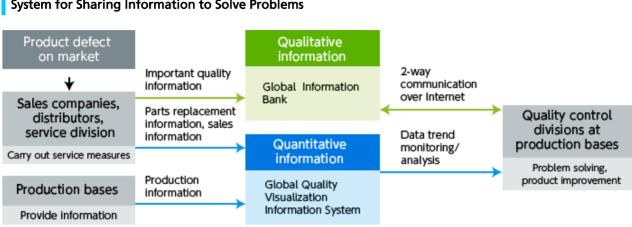
Every two years, Daikin holds a meeting of the Global Product Structural Audit. With participation by quality control managers from production bases, the goal of this meeting is to share know-how and bring together those working on the front lines of quality so as to ensure that Daikin's product structural auditing is conducted at the highest possible level worldwide.



At a Global Product Structural Audit activity

Tracking Customer Information and Product Information

We have two systems for gathering information-on customers and products-from markets around the world. The information is used to solve problems at each base and thus create better products.



System for Sharing Information to Solve Problems

Establishing Protocol for Promptly Handling Product Accidents

Daikin products are designed based on guality standards and design standards that ensure that, even if users misuse machinery or use it beyond recommended limits, there is no danger for the users; and even if there is a product accident, the danger to the user is minimized.

In case of a product accident, we have systems in place that allow us to quickly relay the necessary information and handle the problem, and minimize the impact on the product users and the general public.

We strive to prevent major product accidents from occurring. When the cause of a minor product accident is discovered, we examine it to determine whether this could also lead to an accident. The information we gather is reflected into the development of future products.

In fiscal 2021, there were no cases of product recall.

Related information

Important Announcements (available in Japanese only)
 (http://www.daikin.co.jp/taisetsu)

Working Closely with Suppliers

> Refer to "Raising Product Quality and Ensuring Safety Together with Suppliers" (Working Closely with Suppliers) (Page 485)

Policy on Product Safety

Product Safety Voluntary Action Guidelines

The Daikin Group (hereinafter, "the Group") believes that its most important management task is to provide products that satisfy customers from the standpoint of our customer when designing and making products that have a high level of safety and quality. To this end, we have formulated the following basic policies on product safety in efforts to provide ever-greater levels of safety and quality in products.

1. Legal Compliance

The Group shall observe the Consumer Product Safety Act and other product-related laws and safety standards.

2. Ensuring Product Safety

The Group shall establish a quality management system and execute measures to maintain product safety in all processes extending from product design to production, sales, and after sales service. And the Group shall display appropriate, easy-to-understand instructions and warnings on products and in instruction manuals to ensure the safe use of our products by our customers.

3. Collecting and Providing Product Accident Information

The Group shall actively collect information from our customers concerning accidents involving Daikin products and quickly report this information to our executive management while providing customers with suitable information.

4. Immediate and Appropriate Response to Product Accidents

In the unlikely event of a safety problem occurring in the use our product, our first and primary concern shall be for the safety of our customers, and we shall take immediate actions to minimize and prevent the occurrence of a serious accident. Actions to be taken immediately shall include repairing or replacing the product in question, publicizing the problem through the appropriate media, and submitting a statutory report on the problem to the relevant authorities. All relevant people outside the company, including sales company personnel, will be informed of the situation.

5. Product Safety Promotion

The Group shall establish a quality assurance system that it uses to ensure product safety and quality. We shall ascertain information related to the safety and quality in the marketplace and provide accurate feedback to personnel within our company in order to reflect it into future product design and manufacture.

6. Education, Training, and Monitoring

The Group shall constantly make every effort to promote the safety and quality of our product through widespread education and training within the company in laws and regulations on product safety. We also shall regularly monitor work to ensure product safety is being achieved.

(Formulated in June 2007)

Global Product Safety Standards

We have formulated our Global Product Safety Standards to ensure products are designed for the utmost safety by having standards common to all Daikin worldwide bases. The goal is to make sure that products can be operated safely and that damage is limited to the absolute minimum in case of a product accident— whether the customer is using the product correctly or incorrectly, and whether the customer can operate the product safety during an atypical usage situation.

These safety standards set common rules for the global Daikin Group regarding things like fire, electrical shock, and explosion, and stipulate two layers of safety in the design: design that will prevent accidents from occurring, and design that will minimize damage should an accident occur.

Efforts to Ensure Safety

Clear and Concise Product Use Instructions

The Consumer Product Safety Act obligates companies to design products for safety and provide consumers with information and warnings so that household product accidents can be avoided.

Based on the failsafe^{*} philosophy, Daikin's system of checks ensures that customer safety is the top priority in design and that design review (DR) leads to safe products.

Our website also provides consumers with information including the model number and production year of products already on the market. We abide by the Ministerial Ordinance of technical standards for the Electrical Appliance and Material Safety Law by placing labels on our residential air conditioners and ventilation fans (which are covered by this law) that state the duration of product use.

* Failsafe: Design methodology and mechanisms for control that ensure safety in case of failure in equipment, mechanisms or systems.

Optimizing information tool

In Japan, about one-third of the product accidents are the result of improper product operation. Therefore, Daikin strives to provide customers with accurate, easy-to-understand operating instructions so that they can use our products safely.

The air conditioning divisions conduct product labeling in compliance with industry guidelines, such as the Guidelines for Labeling Household Products for Safe Use (5th edition), published by the Association for Electric Home Appliances, and the Revisions Labeling Procedures, published by the Japan Refrigeration and Air Conditioning Industry Association.

When we make product user manuals, we make sure they are readable, easy to understand, and easily searchable. This ensures that customers can use products with peace of mind. We work with our design, quality control, service, and sales departments to improve areas of customer confusion in order to make manuals with which customers can get the answers they need quickly.

Examples of improvements to product information disclosure

- Installation manuals have been resized from A1 to A4 booklets to make the text easier to read
- User manuals are now downloadable from our website using smartphone or computer
- The support page now includes additional video support while video manuals are available on the website to help customers resolve situations where they cannot tell normal and abnormal operating conditions apart based on a user manual alone
- Added videos on FAQ and AI fault diagnosis
- Enhanced details of notification on the remote control to display current operating status in an easy-tounderstand manner

PROTECTING CUSTOMER INFORMATION

Protecting Customer Information

Personal Information Managers and Thorough Employee Education

To properly protect the range of customer information entrusted to us, Daikin has a Personal Information Protection Policy, as well as various in-house rules for information protection. In the Daikin Group in Japan, we hold annual conferences of personal information managers and others in each division in an effort to reduce risk related to confidential information and personal information.

Particularly in divisions that handle repair information data on customers on a daily basis, we do everything possible to keep this information secure. To continually monitor and improve on our information security system, employees conduct their own self assessments, the legal department conducts legal audits, and the Internal Auditing Department conducts audits.

Related information

- > Information Security (Page 427)
- > PRIVACY POLICY 🗖 (https://www.daikin.com/privacy)
- > Response to Personal Data Regulations (Page 448)



Sustainability Report

2022 -Web version-(As of November 2022)

Human Resources

Fostering Human Resources		
Workplace Diversity	335	
Occupational Safety and Health	346	

Work-Life Balance	357
Employee Evaluation and Treatment	364
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Value Provision Themes Human Resources



Policy

Respecting Individual Personalities and Values, and Maximizing the Potential of Each Employee

Why is it important?

Daikin believes human resources carrying out business activities are integral to achieving our sustainable growth and resolving social issues.

Daikin's Approach

We aim to create an organization capable of growing alongside society and that enables all employees to work actively with purpose and maximize their skills.

Sustainability Targets and Results

Strengthen human resource capabilities by deepening diversity management

•Number of persons participating in executive management and leadership development programs

We measured the number of participants in executive management and leadership development programs as an indicator for measuring the development of executive management and leadership globally

Medium-Term Targets

Maintain and increase the development of global leaders

Fiscal 2021 Achievements



•Ratio of excellent skilled engineers and advanced skilled engineers in strategic engineering positions:

We measured the number of persons developed with advanced engineering skills and knowledge and who can lead manufacturing

Medium-Term Targets

Fiscal 2021 Achievements

1 in 4 in fiscal 2025 ► 1 in 6.8 employees

Increase ratio of female managers

We measured the number of female managers as indicators for measuring employee diversity

Medium-Term Targets

Fiscal 2021 Achievements

Increase ratio of female managers

► 68 employees (5.7%) (Daikin Industries, Ltd. only)

• Percentage of overseas bases where local nationals are president

We measured the percentage of overseas bases where local nationals are president as indicators for measuring employee diversity

Medium-Term Targets

Fiscal 2021 Achievements

► 45 % (overseas bases)

Maintain and increase percentage of overseas bases where local nationals are president

• Frequency rate of lost work time accidents

We measured whether production bases are operating safely

Medium-Term Targets

Fiscal 2021 Achievements



1.19

> Fostering Human Resources

(Page 321)

Based on the belief that people grow through work experience, the Daikin Group develops employee capabilities through onthe-job training (OJT) and other efforts.

> Workplace Diversity

(Page 335)

We strive for greater organizational strength by having a diverse range of employees—all genders, ages, nationalities, races, and levels of occupational experience—working to mutually understand one another's distinct values.



With the goal of achieving a "zero accident" workplace, we place top priority on ensuring a safe, healthy working environment where employees can work in peace of mind.



rewarded for putting their

motivation to work and taking

every opportunity for success.

cooperative labor management relations are the foundation of company management, we place the utmost emphasis on equality of labor and management as well as mutual trust between both sides.

schedules.

Related information

- Feature of Fiscal 2020: Human Resources—Enhancing Manufacturing Around the World by Training the Next Generation of Plant Operators (https://www.daikin.com/csr/feature2020/04)
- Feature of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation (https://www.daikin.com/csr/feature2019/04)
- Feature of Fiscal 2018: Human Resources—Developing Human Resources to Promote the Spread of Air Conditioners in the Rapidly Growing Market of Vietnam (https://www.daikin.com/csr/feature2018/04)
- ➤ Feature of Fiscal 2017: Human Resources—Human Resource Development in the U.S.—Growing with Local Communities ¹ (1.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2017-human-pdf.pdf)

Human Resources FOSTERING HUMAN RESOURCES

Basic Policy

Daikin conducts fundamental human resources development based on on-the-job training,^{*} following its belief that people grow through work experience and the cumulative growth of all group members serves as the foundation for the group's development, as one of the principles of Our Group Philosophy. In addition, Daikin implements many training programs with consideration for the company's strategy and business direction as well as the change of times, including internal lectures that fosters technical development personnel in the field of AI, and oversea base practical training for fostering young, globally-minded employees.

Moreover, in order to foster as many global business leaders as possible who will support the growth and development of the Group, Daikin will strengthen measures to develop managerial executives and next-generation leaders in each region and base to further refine the training of executives and leaders.

* Employees learn and acquire the general knowledge, technical knowledge, skills, and commitment required of their positions while performing their jobs.

Education Measures

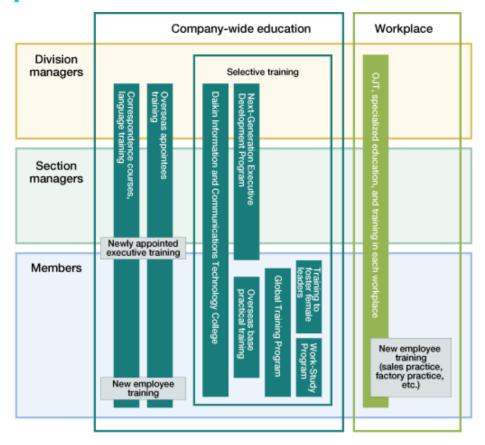
Raising up Personnel to Implement Our Group Philosophy

With the Group's growing global business expansion and demand for response to change, Daikin is cultivating human resources who will understand and practice Daikin Group's philosophy, while possessing the management skills to guide employees with a diverse range of values in a common direction and ability to look to the future in posing their own questions.

Accordingly, Daikin is enhancing training opportunities at Daikin Ales Aoya Global Training Center and Eau de Ciel Tateshina Seminar House, which include managerial training and skills and technical training.

In addition, we continue to boost human resources, such as by boosting global recruitment, increasing the number of inter-regional and international deployments, and creating competitive assessment and reward systems, and facilitate mutual communications between divisions and bases.

Education System



Main Training Programs

Training name	Purpose	Results in the fiscal year
New Employee Training	To learn "Basics for Members of the Society," "Daikin's Business," and "Practical Skills and Mindset for Work" To gain understanding of what is an ideal employee and people-centered management, and to consider what is required of an employee to advance themselves as their role changes from a student to a member of the society, and connect to their resolution and goal for the next chapter. Period: One and a half months following the welcome ceremony (This includes five nights and six days at the Daikin Ales Aoya Global Training Center in Tottori)	Due to the COVID-19 pandemic, training was conducted as a mix of online and at-home training using IT tools, while the overnight training was cancelled. Group training and factory tour for learning the basics of manufacturing were conducted following infection control protocols. Moreover, as an initiative to enable employees to feel the connection with society and people despite the ongoing COVID-19 pandemic, we have launched the Feel the Connection program, whereby each new employee is supported by a senior employee using IT tools. This program enables senior employees to answer questions or concerns each new employee may have as well as have a dialogue on how to approach work with the aims of fostering a sense of connection to the company and its people. Participants: 404 people (Regularly recruited 404 employees)

Training name	Purpose	Results in the fiscal year
Overseas Base Practical Training	To foster internationally minded employees who can lead our global business in future, we send young employees to work at overseas bases. Unlike other Daikin employees working overseas, these people take on practical work projects as they cooperate with local dealers, suppliers, business partners, and universities, striving to think outside the box, take on new challenges, and improve their abilities to communicate within foreign cultures. Period: Between one and two years at overseas bases	Fiscal 2021 result: 28 employees Total number of employees dispatched since fiscal 1999: 346 employees

Training name	Purpose	Results in the fiscal year
Global Training Program for Overseas Personnel	We have held the Global Training Program in Japan to train young employees from Daikin overseas bases. Through training, participants deepen their understanding in areas such as Daikin technologies, quality, and production technologies, so that they can lead Daikin's worldwide efforts at their respective overseas bases.	A cumulative total of 33 trainees have taken this training between fiscal 2015 and 2019.
Work- Study Programs in Japan	Daikin sends young employees to universities in Japan in order to improve their technological skills, acquire MBAs, widen their perspective, and build human resource networks.	Six Daikin employees were sent to study at Toyota Technological Institute.

Training Next-Generation Executives and Leaders

Training by the Entire Group

The entire Group is training executives and business leaders who will shoulder the responsibility of future growth and development.

Target trainees are divided into three classes: director class, division manager/general manager class, and section manager/leader class, and provided with a specialized training program (see table below). At the same time, training for executives and leaders is also conducted at each region and base.

Overview of the Next-Generation Executive Development Program



Program name	Targets
1) New Executives Program	New executives
2) Group Leadership Development Program	Division managers and general managers (From Daikin Industries, Ltd. (Japan) and overseas Group companies)
3) Next-generation Leaders Training	Section managers and leaders (From Daikin Industries, Ltd. (Japan))
4) Daikin Executive Program (D-EP)	Executives and managers at overseas bases (From overseas Group companies)

Training in Each Region and Base

In order to expand our business from the human resources perspective, we are also conducting executives and leaders training in each region and base. In fiscal 2021, we conducted the following initiatives in each location.

In the United States, we held the Unlimited Potential Program to foster executives and leaders among managers from multiple companies located in the country. The program involved three one-week sessions for 24 participants to consider leadership in the context of people-centered management.

At Daikin Industries (Thailand) Ltd., we conducted the Management Dojo over nine days with the aim of improving leadership management skills among 26 middle-management participants. We strive to cultivate future leaders who possess the knowledge of Daikin's unique business and leadership.

At Daikin Malaysia Sdn. Bhd. (Malaysia), Young Executives Program is conducted with the aim of fostering young leaders. The program consists of seven courses in total spanning from practical online training to interpersonal skills training for improving communications. A total of 306 people participated.

At Daikin Airconditioning India Pvt. Ltd. (India), we are striving to enhance the online based leadership training program, and have implemented 12 programs including specialized field training and human resources development training.

At Daikin Europe N.V. (Belgium), we conducted the training program called Management Development Journey, which focuses on the practice of people-centered management and leadership targeting middle and senior management.



Management Dojo (Thailand)

Fostering Monotsukuri Human Resources

Focus on Excellent Skilled Engineers Conveying Techniques to Overseas Bases and the Training of Advanced Skilled Engineers

Daikin fosters human resources capable of passing on the skills that are the foundation of our monotsukuri. Daikin has set a goal of having 1 in 4 employees working in production worldwide be an excellent skilled engineer or an advanced skilled engineer, both of whom possess advanced skills and knowledge and leadership abilities. At Daikin in Japan in fiscal 2020, this rate was 1 in 3.3. As our business expands globally, we are stepping up our worldwide training.

In the air conditioning divisions, workers with advanced skills are designated as "Takumi" after demonstrating their mastery in the areas of brazing, lathing, sheet metal working, arc welding, die making, and tooling. The chemicals divisions have a system to designate Experts, who pass their advanced skills on to others. These Takumi and Experts teach their skills at Daikin bases worldwide, thus fostering future engineers and technical leaders.

In addition, we have established a new trainer system to foster future Takumi and Experts and thus make up for a shortage of their numbers.

As of the end of fiscal 2021, there were 23 Takumi and 116 Trainers (34 in Japan, 82 at overseas bases) in the air conditioning divisions. The chemicals divisions had nine Experts and 10 Trainers (six in Japan, four at overseas bases).

Skills Competitions and Skills Training Boost Level of Production Workers

Once every two years, the Global Skills Competition for Daikin's worldwide production bases is held with the aim of boosting the skills of employees in manufacturing. In addition to practical skills such as assembly and disassembly, participants take written tests that confirm their knowledge about dealing appropriately with workplace accidents.

In years when there are no skills competition held, we hold skills training sessions for future leaders, with Takumi, Experts, and Trainers as the instructors.

In fiscal 2021, the Skills Competition was cancelled for the air conditioning divisions due to the COVID-19 pandemic. However, competitions were held at each domestic plant (363 participants), as well as at each overseas base by region and location. For the chemicals divisions, Skills Olympics were held by each plant according to the job type, with 61 employees competed in Chemical Plant Operation.

Skills workshops are also held at overseas group companies and among companies in certain world regions. Participants at each Daikin base share information such as how well skills are being passed down, problems, and goals, as part of the overall effort in the Daikin Group to foster human resources possessing a high level of skills.



Skills Competition

Fostering Human Resources in the AI Field

Daikin Information and Communications Technology College

Daikin Information and Communications Technology College was established as an institute to foster human resources in the digital fields^{*} to meet the rapidly changing structures of industry and society. The college invites professors from universities such as Osaka University and leading-edge research institutes to give a wide range of courses in everything from basics such as math to programming, machine learning, and applied AI.

We are accelerating the pace at which we foster managers and existing and new employees and have reached the goal of completing digital training for 1,000 employees by the end of fiscal 2021, and have set the goal of doing the same for 1,500 employees by the end of fiscal 2023.

By the end of fiscal 2021, approximately 300 new employees who have completed the two-year training were assigned to their respective divisions, and began undertaking jobs on the themes of creating new businesses and streamlining business processes using digital technology at the core.

* We aim to train innovators in digital technology and AI who are capable of putting their specialized knowledge into action as well as inspiring others around them to do the same.

Activity details

Name	Objective	Details
Fostering Digital Human Resources Among Newly Hired Employees	Fosters specialist human resources in digital solutions unique to Daikin who understand technology in air conditioning and chemicals, etc.	[First year] AI knowledge (using AI technologies from Osaka University), real data analysis using AI, IoT knowledge, business division knowledge and business model, etc. [Second year] Project-based learning (PBL using frontline data)
Al Technology Development	Fosters human resources who can externally outsource development using AI technologies and AI development	 AI knowledge (using AI technologies from Osaka University), Project-based learning (PBL using frontline data)
System Development	Fosters human resources who can externally outsource systems development and development of systems needed for introducing AI to existing systems	 System development project management training On the job training (system development exercising using internal data)
AI Utilization for Managers	Fostering managers and leaders that play the role in data utilization strategy	 Fundamentals of data utilization (Al literacy, Al business knowledge training) On the job training in data utilization (training on Al-themed planning and implementation)

Related information

> Feature of Fiscal 2019: Human Resources—Daikin's Unique Approach to Developing AI and IoT Human Resources for Driving Innovation

(https://www.daikin.com/csr/feature2019/04)

Fostering Young Engineers and Technicians

Experienced Workers Pass On Techniques and Skills

Since 1994, Daikin Industries, Ltd. has worked to boost the level of its manufacturing by having a Kaizen Team of experienced workers lead a 4 to 6-months training for young employees in the production division.

In the air conditioning divisions, practical training is provided on electrical circuit design, sheet metal processing, arc welding, circuit application, and more. We are fostering skilled employees who can promptly perform update maintenance on the production line (cumulative total of over 300 participants between Sakai and Shiga plants as of fiscal 2021).

In the chemicals divisions, we are training human resources to continuously enhance SQCDE^{*} at chemical plants by teaching the skills for basic operations and detection of abnormalities and modulations.

* Acronym for safety, quality, cost, delivery, and environment

Fostering Service Engineers

We have established an essential knowledge and skills training system for improving service quality.

At Daikin, we are conducting training of service engineers who are responsible for the maintenance of products. We conduct basic training on air conditioner service quality for service engineers, as well as various training and qualification acquisition training for each level and position type.

Related information

> Increasing Satisfaction with Services (Customer Satisfaction) (Page 291)

Fostering Students in Science and Technology

Supporting Development and Employment of Science and Technology Students in Emerging Countries

Daikin is focused on development and employment assistance for science and technology students particularly in emerging countries in order to foster engineers critical to the spread of air conditioning around the world.

Related information

> Efforts Overseas (Supporting Education) (Page 532)

Human Resources WORKPLACE DIVERSITY

Basic Policy

Daikin believes it is our people who make us competitive. A company can only grow stronger by having a diverse range of employees working within an organization that is conducive to mutual understanding of one another's distinct values and that allows everyone to shoot for a lofty goal.

Our Group Conduct Guidelines state that while respecting diverse values and approaches to work, we shall mutually accept our respective differences, act in harmony, gather the abilities we possess, and strive to be a Group in which each member expresses his or her ambitions and then takes bold actions with great passion and perseverance to realize those ambitions.

Based on this philosophy, we strive for diverse management in which we maximize the talents of all people, regardless of their nationalities, ages, genders, sexual orientation, gender identity, or disability. This goes for both periodically hired employees and career hires.

As we expand our business globally, the diversity of the Daikin Group's workforce has increased with every passing year. Our diversity management combines such diverse personnel and harnesses their individuality and strengths into the combined capabilities of the Group. We believe that the biggest strength of the Daikin Group lies in its more than 80,000 employees representing over 170 countries around the world.

Group Conduct Guidelines

10. Respect for Human Rights and Diversity

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization.

Employee Composition (Data for Daikin Industries, Ltd.)*

	2019		2020		2021	
	Men	Women	Men	Women	Men	Women
Number of employees	7,352	1,440	7,458	1,527	7,339	1,579
Average range of services (years)	16.9	11.0	16.8	10.9	16.7	10.9
Average age	42.4	35.2	42.4	35.2	41.8	35.4
Number of managers	1,100	63	1,110	71	1,122	68
Number of board members	48	1	52	1	40	2
Number of foreign nationals	62	31	64	33	62	34

* Includes employees on loan.

Note: Figures as of fiscal year-end.

Employee Make-up by Region*

	2019		20	20	2021		
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employee	
Daikin Industries, Ltd. (Only)	1	7,499	1	7,732	1	7,652	
Domestic Group (Excluding Daikin Industries, Ltd.)	29	5,380	30	5,586	30	5,717	
U.S.	58	17,497	61	19,812	67	20,275	
China	36	18,996	33	19,360	32	19,567	
Europe	78	9,407	75	9,947	77	11,147	
Asia, Oceania	51	16,456	54	17,367	55	18,542	
Others (Latin America,Middle East,Africa, e.t.c)	61	5,134	62	5,066	61	5,798	
Total	314	80,369	316	84,870	323	88,698	

* Figures as of fiscal year-end.

Number of Employees by Gender and Employment Rate of Women*

	2019	2020	2021
Man	58,229	61,046	63,753
Woman	22,140	23,824	24,945
Total	80,369	84,870	88,698
Women as % of all employees	28%	28%	28%

* Figures as of fiscal year-end.

Maximizing the Talents of Women

Accelerating Efforts to Maximize the Talents of Women

Daikin Industries, Ltd. considers diversity management as one of the pillars that supports management and is undertaking projects that are directly under top management since 2011 with a focus on promoting women's participation and advancement at work.

In fiscal 2020, we formulated an action plan to promote women's advancement based on the Act on Promotion of Women's Participation and Advancement in the Workplace. In addition, we have established the following targets and expanded on efforts including reinvention of the thinking of managers and female employees, early cultivation of female leaders, support for early return from childcare leave, and encouragement of male employees to participate in childcare.

Action Plan to Promote Women's Advancement

1. Period: Fiscal 2021 to fiscal 2025

(Five years between April 1, 2021 to March 31, 2026)

- 2. Quantitative targets
 - At least one female director from internal appointment by the end of fiscal 2025
 - Minimum of 120 female managers by the end of fiscal 2025
 - At least 90% consumption rate of childcare leave among both genders, and ensure male employees continue to take an average 10 days or more

In fiscal 2021, we conducted training for young female leaders, which involved five group training sessions and online sessions held between September 2021 and May 2022. In addition, we also provided training to the supervisors of those trainees. This provided an opportunity for 20 female employees with the skill sets to become managers in the future to recognize their own strengths and weaknesses as well as identify their ideal image of a leader. This also served as an opportunity for the trainees to modify their approaches and actions to enhance their influence as leaders in a group.

As a diversity promotion project in collaboration with Osaka University, we have been conducting the "Innovative Women's Active Participation Program" for female employees in the skilled and technical areas since 2019 with the aim of cultivating more technical managers and leaders. In fiscal 2021, 14 female employees in the skilled and technical fields underwent lectures at Osaka University over four days from October to November. This provided an opportunity for our employees to learn about leadership theory and future design studies with female engineers from other companies and female graduate students at Osaka University, and expand their horizons as engineers. As a result of these efforts, the number of female managers was 68 (approx. 6.0%) as of April 2022, which marks an increase by about 3.5 times compared to 2011 at 20 (2.1%), when the efforts to promote women's participation were officially launched.

We are expanding on programs to support balance between work and childcare, and above all, support measures to bridge the gap between childbirth and childcare so as to help employees continue their career. There is a growing number of employees actively participating at work while maintaining a balance between childcare and career through use of such systems and collaborating with their partner at home. As a result, the number of people returning from under one year of childcare leave has grown from 30% in 2011 to 60% at the end of March 2022.

Furthermore, the ratio of female managers in main overseas business sites outside of Japan is over 20%.

Grand Prize Winner in the NIKKEI Smart Work Awards 2022

Daikin Industries Ltd. was awarded the Grand Prize in the NIKKEI Smart Work Awards 2022, which recognizes leading companies that aim for growth through work style reform.

Daikin received the highest ranking of S++ in three categories: Human Resources Placement, Innovation, and Market Expansion, and received the highest rating, 5 stars, in the overall ranking for the fifth consecutive year (deviation value of 70 and above), in the 5th NIKKEI Smart Work survey conducted by Nikkei Inc. In the category of Human Resources Placement, Daikin was recognized for its investment in fostering human resources in the DX field, promotion of female and experienced employees' advancement, and expanded the re-employment system up to age 70.



Hiring Women

Increasing Percentage of Female Employees

As of the end of March 2022, women accounted for 18% (8,918) of all employees of Daikin Industries, Ltd.

Starting in fiscal 2013, we began our proactive policy of hiring more women for all positions in technical, skilled, and clerical fields, and focused on hiring new graduates with the determination and drive for long-term career. As a result, the percentage of women hired accounted for more than 30% of all new graduates hired for the seventh consecutive year.

In fiscal 2015, we began collaborating with universities to hold lectures, round-table discussions, and factory tours, which helped female high school and university students who aspire to become engineers to think about their careers.



Number of Hires and Ratio of Women (Daikin Industries, Ltd. only)

* Employees joining company on April 1

Recruitment and Appointment of Diverse Human Resources

Promoting Local Employees to Managerial Positions at Overseas Bases, and to Officer Positions at Daikin Industries, Ltd.

As Daikin promotes globalized business management, we are promoting more employees at overseas bases to managerial positions at their bases. We have the Global Daikin Leadership Development Program for locally hired managers at worldwide bases in order to give them the capabilities to run Daikin subsidiaries in their own countries.

As of the end of September in fiscal 2021, local nationals accounted for 45% of the presidents and 44% of the directors at overseas Daikin bases.

At the same time, outstanding personnel hired at overseas bases are being chosen and trained for positions as officers at Daikin Industries, Ltd. (Group head office).

Hiring Non-Japanese Nationals

As Daikin's business becomes increasingly globalized, Daikin Industries, Ltd. is aggressively hiring university graduates from a large number of countries. As of the end of March 2022, there were 100 foreign nationals working at Daikin Industries, Ltd.

In October 2018, we published a Japan Living Guide containing information to facilitate the start of their life and work in Japan for new hires and intern trainees of foreign nationality. In November 2018, we published a handbook for workplaces with foreign national employees to facilitate communication and provide hints about how to develop their careers. Also, we provide seminars, workshops, and Japanese lessons for foreign national employees.

We will continuously implement various efforts, including following up individually with each foreign national employee.

Employment of People with Disabilities

In 1993, based on the Act on Employment Promotion etc. of Persons with Disabilities, Daikin Industries, Ltd. established Daikin Sunrise Settsu Co., Ltd. (DSS), a cooperative venture with the Osaka Prefecture and Settsu City governments.

DSS strives to provide these people with an environment conducive to working so that they have the opportunity to make the most of their talents.

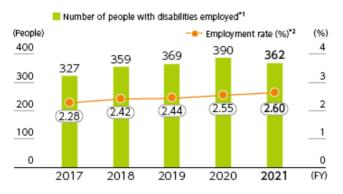
For the Daikin Group in Japan, we have established a target to achieve an employment rate of persons with disabilities of 2.5%, which exceeds the legally stipulated ratio of 2.3%. As of the end of fiscal 2021, 2.60% of workers at the Daikin Group are disabled, a percentage above the legal requirement.

We also strive to hire persons with disabilities at Daikin Industries, Ltd. and Daikin Group companies. There are currently 54 disabled employees at Daikin Air-conditioning (Shanghai) Co., Ltd., a Group company that is proactively hiring persons with disabilities. In December 2013, the company was recognized by the government as a national training base for persons with disabilities.



Daikin Sunrise Settsu Co., Ltd. (DSS)

Number of People with Disabilities Employed and Employment Rate (Group companies in Japan)



*1 Legally, one severely disabled person employed is counted as two people with disabilities.

*2 Disability employment rate = number of people with disabilities employed / number of full-time employees

Note: Figures as of end of fiscal year

Re-employment of Retired Employees

Daikin Industries, Ltd. has been a pioneer in promoting employment of seniors as it sees the utilization of experienced workers as an important theme with the ongoing declining birthrate and aging population. We introduced the system for rehiring employees 60 years of age and older in 1991 which keeps those who desire to work until age 63. In 2001, the age limit of this program was further raised to 65 years old.

We once again amended the rehiring system in April 2021, which enables employees to continue working until age 70 if desired. While the Law Concerning Stabilization of Employment of Older Persons that was amended in April is obliging companies to make an effort to employ workers up to age 70, we have taken a lead in the future obligation to ensure employment opportunities up to age 70.

Furthermore, we have revised the conventional compensation scheme to reflect better allocation of wages and bonuses, as well as established four levels of evaluation rank resulting in our new evaluation system that can reward employees in detail according to their results.

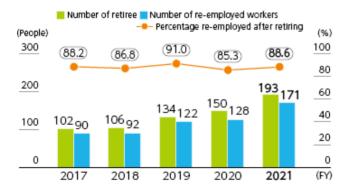
We also focus on promoting the participation of experienced workers. In fiscal 2021, we conducted dialogue between re-employed workers and their superiors, discussions between managers of each department with the Human Resources department, seminars for managers and training and workshops for re-employed workers.

In addition, we also hire contract employees who are age 70 or above and possess highly specialized knowhow, skills, expertise, network connection, and experience, and who carry on duties that are difficult to replace by others.

We recognize that as our business expands globally, we must take on challenges under many themes as a unity between young, mid-career, and highly experienced employees. Each year, we re-employ over 100 highly experienced workers and leverage their advanced skills and know-how through their active participation at our business sites in Japan and overseas.

We strive to continuously cultivate a company culture that enables employees to thrive regardless of their age and harness the skills of highly experienced employees more than ever before in order to improve the organization's performance.

Number of Re-employed Workers and Rate of Re-employment (Daikin Industries, Ltd. only)



Initiatives to Prevent Discrimination

Promoting Understanding of LGBT

Daikin aims to create workplaces conducive to working for all employees, regardless of things like nationality and gender.

Daikin Industries, Ltd. has clearly established definitions of human resource rules on marriage and gender to recognize things like common-law marriage (including same sex partners) and gender identity (what gender a person identifies himself or herself as). We are also promoting understanding of the LGBT^{*} community through holding training and releasing information via newsletters.

* LGBT: An acronym for lesbian (L), gay (G), bisexual (B), and transgender (T).

Efforts in the hiring process

Daikin's Group Conduct Guidelines states we shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. We are taking the same measures in our hiring process to respect each individual's diversity and prevent discrimination.

For example, Daikin Industries, Ltd. no longer requires job applicants to indicate gender and nationality nor include a portrait on the entry sheet and resume. In addition, we are conducting thorough education among employees involved in hiring to prevent discrimination.

Human Resources OCCUPATIONAL SAFETY AND HEALTH

Basic Policy

Daikin Group Conduct Guidelines state that we are constantly aware of and taking action on the safe operation of our workplaces. To achieve this, we constantly strive to create a "zero accident" workplace where Daikin employees and subcontract employees work safely, both for their own sake and to instill a feeling of safety in the minds of residents around our factories.

Group Conduct Guidelines

9. Ensuring the Safety of Operations

We shall take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions we serve.

Occupational Safety and Health Management Structure

Officer in Charge of Safety Leads Safety and Accident-Prevention Efforts

Daikin aims to maintain "zero accident" workplaces at all production bases. An officer in charge of safety is appointed to drive these efforts and comprehensively promote the safe operation of production facilities throughout the Group.

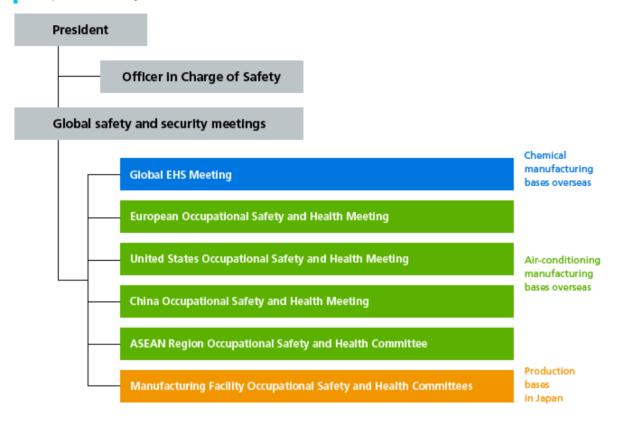
Global safety and security meetings led by the officer in charge of safety are held twice a year. These meetings report on the occurrence of accidents in Japan and overseas, details of safety and security meetings held in each region, status of support provided to overseas bases with a high frequency of accidents, and the status of countermeasures against common issues globally. Discussions are also held on ways of further improving the level of safety.

Major safety issues or concerns are reported promptly to the officer in charge of safety when discovered, who then orders the department responsible for safety of the applicable base to rectify the situation and implement countermeasures. In turn, solutions are rolled out to the entire Group.

In Japan, Occupational Safety and Health Committees are established at each plant jointly involving labor and management to devise annual safety policies, formulate occupational safety and health plans and implement the PDCA cycle. The committees, which meet monthly, are comprised of the health and safety officer (head of each plant), safety manager, health manager, industrial physician, and representatives from the company and labor union, in accordance with laws and regulations.

Overseas, employees responsible for safety are appointed at each production base. Annual safety meetings are held in each region in an attempt to improve the level of safety measures.

Occupational Safety and Health Promotion Structure



Fostering Safe Workplaces

To prevent the occurrence of occupational injuries, Daikin carries out safety countermeasures after each base conducts risk assessments and identifies facilities that pose a high risk of injury. When an injury occurs at a base either inside or outside of Japan, matters concerning the monthly occurrence, causes, and countermeasures are reported to the officer in charge of safety via the department responsible for safety at Daikin Industries, Ltd., pursuant to the Group's injury reporting guidelines. In turn, this information is reported to and shared with the global safety and security meeting two times per year. For example, regarding accidents involving forklifts and onsite vehicles, which had seen a rising number of accidents globally over the past several years, details of these accidents and countermeasures were shared by each base at the global safety and security meeting, and now we are striving to prevent future accidents by installing safety equipment on forklifts at each base and increasing workers' safety awareness through training. In addition, we are making efforts to prevent occupational injuries by providing protective equipment, translating procedures into local languages, conducting regular equipment maintenance and by making helmets mandatory at overseas bases and taking other measures irrespective of legal requirements in each country.

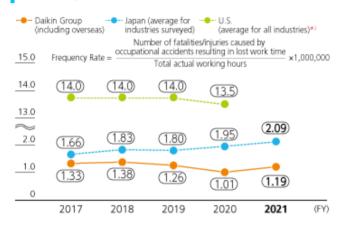
Additionally, to foster greater safety awareness, every year in July (in conjunction with Nationwide Safety Week in Japan) the CEO shares a message with the entire Group about the key initiatives for that particular fiscal year. Also, every year, senior management, the officer in charge of safety and the department responsible for safety visit bases in Japan and abroad to provide guidance for ensuring safety. We are also working to improve awareness of safety by having the department responsible for safety collect information on the occurrence of accidents in the Group monthly which is then shared with safety managers at each base.

Targets and Achievements

Aiming for "Zero Accident" Workplaces at All Production Facilities

Aiming for "zero accident" workplaces, Daikin utilizes a rate showing the frequency of occupational accidents resulting in lost work time as an indicator of operational safety. The frequency rate of occupational accidents for the entire Daikin Group in fiscal 2021 was 1.19. In fiscal 2021, there were zero fatal accidents for the entire Daikin Group.

Frequency Rate of Lost-Time Occupational Accidents^{*1} (Including group companies in Japan and overseas)



*1 This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.

Frequency rate = Number of fatalities/injuries caused by occupational accidents resulting in lost work time / Total actual working hours × 1,000,000

*2 Calculated based on information from U.S. Bureau of Labor Statistics (November 2021). No data was released for the U.S. in fiscal 2021. (As of the end of JUN 2022)

Severity Rate^{*} (Including Group companies in Japan and overseas)



* This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked. Severity rate = Total number of working days lost / Total actual working hours × 1,000

Occupational Safety and Health Management System

61 Bases Certified for ISO 45001 and Other Standards

Daikin has production bases around the world and we ensure safe plant operation and worker safety through the creation of occupational safety and health management systems at each base, as well as certification for international standards such as ISO 45001 at 61 bases.

Under this system, we use risk assessment to reduce and manage the risk of health and safety problems, and we ensure that we are continuously in compliance with laws and regulations. In addition, every year, we conduct internal and external audits, along with education and safety patrols with the aim of achieving "zero accident" workplaces.

As of the end of fiscal 2021, 52 air conditioning manufacturing bases and nine chemical manufacturing bases (approximately 60% of all manufacturing bases) had acquired certification related to ISO 45001 and other occupational safety and health management systems.

Number of Bases with Occupational Safety and Health Management System Certifications

	2021				
	Air Conditioning	Chemicals	Total		
Japan	2	1	3		
China	15	3	18		
Asia and Oceania	12	0	12		
Europe	23	4	27		
Americas	0	1	1		
Total	52	9	61*		

* Acquired by approximately 60% of all manufacturing bases

Employee Education and Training

Hands-On Training Raises Safety Awareness at Daikin Worldwide

Daikin conducts a variety of education and training on occupational safety and health. This applies to everyone who works at Daikin, including employees (part-time employees and dispatched employees included), business partners, partner companies, and contractors.

Daikin Industries Ltd. places an important focus on hands-on training that simulates situations where certain actions or situations could invite danger. Using specially made devices and machines, employees take part in hands-on mock training in which they experience what it is like to be caught in or trapped by machinery in the equipment manufacturing industry, where such accidents are common; and where they see firsthand the danger of fire and pressure caused by chemical reactions common in the chemicals manufacturing industry. We continue to hold training based on effective programs that combine with theoretical learning in the classroom.

In addition, at our overseas bases, we will improve technical proficiency levels through participation in training held in Japan and aim for zero occupational accidents by providing safety training and conducting safety patrols, among other initiatives.

Related information

- > "Business Partners Contribute to Plant Safety" (Working Closely with Suppliers) (Page 489)
- > Report by business site (https://www.daikin.com/csr/report/site_data)

Stakeholder Engagement

Dialogue with Communities for Safer Plants

We have established venues for regular dialogue with local community members for safety plants in order to provide added peace of mind to the people living around our plants.

Related information

> "Building Trust with Communities" (Harmony with Communities—Strengthening Bonds) (Page 534)

Employee Health Management and Mental Health Care

Supporting Employee Health through Checkups and Counseling

Daikin Industries, Ltd. strives to maintain employees' health by providing all employees with semi-annual health checkups, as well as semi-annual special checkups for those engaged in specialized work, as required by health and safety laws. In fiscal 2021, 99% of employees underwent checkups, with issues found in 63% of these checkups.

Employees who are found to have problems are put under the direct guidance of the company health clinic and are given thorough guidance in necessary measures to take. At such secondary checkups, employees are given personalized health guidance and advice on improving their habits that matches their individual lifestyles. Employees who require detailed examinations and treatment are sent monthly follow-up emails as part of our efforts to decrease the number of people not getting the care they need.

Employees working excessive hours are checked by an industrial physician, and if the employee needs special attention, he or she and his or her superior will receive guidance from the physician. At interviews with industrial physicians, employees are given not just health advice but also consultation regarding family life and other personal matters.

Related information

> Uptake Rate of Periodic Health Checkups and Percentage of Health Checkups where Issues were Found (Daikin Industries, Ltd. only) (Page 683)

Infection control for employees

Daikin makes efforts in infection control that prioritizes the health and safety of employees and management of infection risks.

Daikin conducted regular disinfection and ensured thorough ventilation in offices in ensuring the health and safety of its employees and their families in response to the spread of COVID-19. At the same time, it strictly required employees to undergo temperature checks prior to entering the workplace, wear masks, avoid closed spaces, and practice hand-washing and hand sanitization with alcohol. In addition, Daikin encouraged working from home, time-shifted commute and time-shifted work, and takes the utmost care when visiting clients for purposes of air conditioner repairs.

In June 2021, we provided COVID-19 vaccinations at our five bases in Japan. These workplace vaccinations covered our employees, their families, retired and former employees, and suppliers, with a total of around 23,000 vaccinations administered. In March 2022 at our third round of workplace vaccinations, we provided vaccinations to around 18,500 people at our five bases in Japan. Eligible persons included employees, their families, retired and suppliers, similar to the first and second rounds.

At overseas bases, Daikin took measures in line with the infection status and policies of each country and region with the preservation of health and safety of its employees as the top priority.

Awareness of Individuals and Organizations Dealing with Mental Health Issues and Provision of Specialist Care

Daikin Industries, Ltd. strives to maintain the physical and mental health of employees. Based on guidelines from the Ministry of Health, Labour and Welfare, four types of mental healthcare measures, such as self-care and care by dedicated outside staff, are planned and implemented at all bases depending on the needs of each base.

For example, industrial physicians provide mental health checkups to employees who are transferred and to newly hired employees after three months, as well as to employees whose questionnaires have showed they are facing problems. There are also mental health lectures. We conduct stress checkups at all Daikin bases in Japan. Persons judged to have a high risk of stress met with industrial physicians so that their problems could be discovered early and solved through numerous approaches such as self-care and work environment improvement.

Shortening Working Hours

Eliminating Long Working Hours by Obligating Employees to Leave at Closing Time and Boosting Work Efficiency

Daikin strives to comply with labor related laws and regulations in the countries and regions where it operates and to eliminate prolonged working hours of employees, under the Group Conduct Guidelines that state, "Respect for Human Rights and Diversity and Observance of Labor Laws."

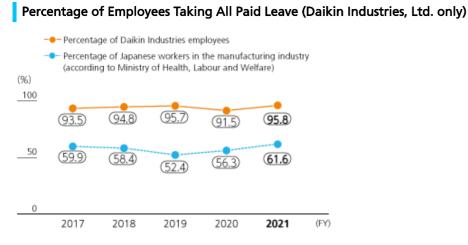
Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

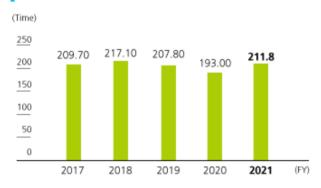
For example, Daikin Industries, Ltd. strives to eliminate long working hours through measures such as obligating employees to leave the office at closing time once a week and prohibiting employees from coming to work on their days off (unless absolutely necessary and approved by the department head).

In this way, we are making a concerted effort to improve both work rule compliance and work efficiency. Yearly plans are made for each employee's duties and working hours, and to ensure that work and personnel management are in line with the plans, checklists are filled out to manage daily work.

Furthermore, by implementing a planned 5-day paid work leave system and establishing 3 days of general paid leave, we aim to promote respect for work-life balance and a more vibrant work environment.



Average Hours of Overtime per Employee (Daikin Industries, Ltd. only)



Measures to reduce working hours

1. Daily management of operations Self-checks and mutual-checks using checklists.

2. Raising awareness and changing company culture

Managers lead the way by not working on days off or late at night. Change from calculating working hours by month to calculating by week in order to more quickly adjust work plans and work load. Workplaces voluntarily establish their own rules regarding working for especially long hours.

3. The 5 Rules

Ensure that employees leave work at closing time once a week. Nobody works on days off. Do not allow employees to work excess hours. Do not make employees do unpaid overtime. Late night work is prohibited. Each department sets its own maximum permitted work time.

4. Clarify management of operations

Implement a work attendance system.

5. Set goals to improve productivity and work efficiency in each division

Human Resources WORK-LIFE BALANCE

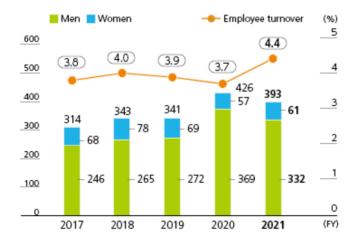
Basic Policy

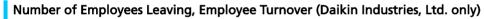
Daikin Industries, Ltd. stresses a work life balance for employees. We have a range of systems and measures that allow us to make use of a diverse range of human resources. The company has established an action plan that is already underway for helping employees both men and women, with children continue both work and home duties with peace of mind. We have been certified as a company complying with the Act on Advancement of Measures to Support Raising Next-Generation Children. We have put efforts into strengthening systems for both childcare leave and childcare support and encouraging male employees to take more childcare leave.

Helping Employees Match Work Schedule with Lifestyle

Employing Flexible Work Systems such as Flex Time and Discretionary Work System

To allow this diverse range of employees to work under flexible conditions and working hours, we use the flex time system. We also have a discretionary work system that can be taken advantage of by not just the R&D department but also by employees in other company departments conducting duties such as planning, proposals, and surveys related to company operations. Thanks to these efforts to give employees flexible working conditions and working hours, Daikin had an employee turnover of just 4.4% (including mandatory retirement age employees) in fiscal 2021: this is far below the average of 14.9% for all industries in Japan (according to a 2017 survey by Japan's Ministry of Health, Labour and Welfare).





Support for Childcare While Working

Creating a Workplace Where Employees Can Balance Their Jobs and Childcare

Daikin Industries, Ltd. strives to create an environment where employees can continue their jobs even after having children. In 2014, we achieved the targets of our first action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. For this, the company was certified by the Osaka Labour Bureau (Ministry of Health, Labour, and Welfare).

Going forward, we will continue to help employees achieve an ideal balance of work and childcare while also using their skills to the fullest.



Symbol Showing Certification as a Company Supporting Employees Childcare Efforts

Workplace environment development at Daikin Industries, Ltd.

Creating a work environment that supports the balance between life and career for both male and female employees

<Purpose>

We have been conducting the seminar since 2012 to strengthen the measures that supports the continuation of an employee's career and not let childbirth or childcare end a career.

- 1. To share thoughts and know-how on how to build a career while supporting childcare at home, and to learn the positive impacts of childcare on one's career.
- 2. To dispel unconsicous bias such as gender roles.
- 3. For supervisors to consider their management approach to bring out the potential of a diverse human resources, and to cultivate a company culture that supports career advancement while providing childcare regardless of gender.

<Details>

The seminar includes a lecture and discussions on unconscious bias, employees sharing their experience of childcare leave, and efforts to reaffirm one's sense of value. This allows employees to think about their career from a long-term perspective and for supervisors to think about their management of employees with children.

<Targets>

Total of four For employees returning from childcare leave and their supervisors For partners of a returnee from childcare leave and their supervisors

<Results in Fiscal 2021>

Due to the COVID-19 pandemic, the seminar was conducted online among the Head Office and each business site. To foster a corporate culture that supports the balance between work and childcare regardless of an employee's gender, we have expanded the targets to include partners of returnees from childcare leave and their supervisors, in addition to employees returning from extended childcare leave.

Employees Returning from Childcare Leave

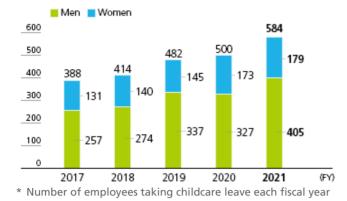
Seminar for

Creating an environment that encourages male employees to take childcare leave	<purpose> To recommend all male employees with a recently born child to take at least five days of childcare leave. <details> We publish and distribute the Handbook on Balancing Work and Childcare among male employees with a recently born child and their supervisors, which includes information for new fathers. To promote systematic utilization of childcare leave, we make announcements on the system and encourage conversations between supervisors and employees. The Human Resources Division also conducts regular check</details></purpose>
icave	in with eligible employees on their plan to take the leave.
	<purpose> Daikin promotes early return from childcare leave as a measure to smooth the transition back to work from childbirth or childcare.</purpose>
Supporting	<details> The following policy was introduced (in 2014) for returnees from childcare leave whose child is less than 6 months of age.</details>
early return from childcare leave	 Flexible workstyle to enable an easy transition that balances work with life Shorter workday of 4 hours a day Shorter flexible workday of 6 hours a day
	 Work-from-home for up to 4 times a week 2. Strengthen services to support parents of infants in balancing life and career Expand the subsidy amount and list of support within the Childcare Support Cafeteria Program
	<results> Increased number of employees returning early from childcare leave as a result of the early return support policy</results>

Osaka University's Support Program on Career Development During Childcare Leave	<purpose> Since 2019, we have been conducting support on career development during childcare leave in collaboration with Osaka Univesrity as a part of diversity promotion. Our goal is to provide opportunities to develop skills toward advancing their future career targeting employees currently on childcare leave.</purpose>
	<details> Employees on their childcare leave are eligible to attend lectures within the School of Human Sciences, School of Economics, and Graduate School of Engineering at Osaka University for their career development and learning. The employees are also able to access the nursery on campus for childcare during their lectures.</details>
	<results 2021="" fiscal="" in=""> Participation by five employees in the spring/summer term between April and September, and by 10 employees in the fall/winter term between October and February.</results>

Daycare Introduced in 2013, this service provides comprehensive support from experts on facilities search for daycare facilities, which includes information on how to conduct searches concierge and details on daycare facilities, as well as getting advice from experts. service In addition to the daycare facilities concierge program, we began to host seminars in 2017 to share information on how to look for daycare facilties, know-how and Daycare and examples of other employees. The aim of the seminar is to provide reference and Childcare address concerns on searches for daycare facilities to facilitate a smooth entrance for Leave the children. Support <Results in Fiscal 2021> Seminars In Septebmer 2021, a lecture given by President Ueda of Mothernet Co., Ltd. to provide insight and address questions on the search for daycares. Matching employees In order to support employees in finding daycare for their children, we began the with mattching service for employees with company-owned daycares in 2019. We list daycares that are owned by the company with openings on the website, and support companyemployees with a smooth application to put their children into daycare facilities. owned daycares

Number of Employees Taking Childcare Leave^{*} (Daikin Industries, Ltd. only)



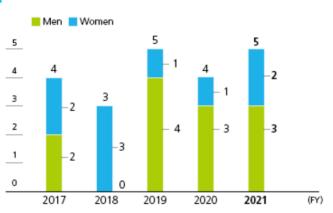
Support for Family Care and other Employee Benefit Systems

Family Care Leave and Shortened Working Hours

In fiscal 2020, as a result of the amendment to the Child Care and Family Care Leave Act, the internal system was changed, which enabled family care leave to be taken in hourly units.

Under our family care leave system, employees can take leave up to a maximum of 365 days, which can be taken continuously or broken up into numerous leave blocks. Under this system, we have also increased from one to three times the number of leave blocks that can be taken for each time that member's condition becomes such as to require care.

With our system for adjustment of working hours for family care (under which employees can opt to work a staggered or flexible work schedule, or a shorter six-hours-per-day schedule), for each family member who requires care, employees can break their use of this system into two or more times over a period of three years starting from initial use of this system. (This is in addition to days taken under the family care leave system.) And under our short family care leave, employees can now take leave in hourly units.



Number Taking Family Care Leave (Daikin Industries, Ltd. only)

Other Employee Benefit Systems (some are abridged)

Pension	Defined contribution pension	
Paid leave	Seniors' leaves system	The employee gets three days of paid leave between the month the employee turns 55 and retirement age.
	Participation in Japan Overseas Cooperation Volunteers	Employees may be allowed to take time off work for this.

EMPLOYEE EVALUATION AND TREATMENT

Basic Policy

Daikin offers "fairness of opportunity and reward": a workplace where employees are rewarded for putting their motivation to work and taking every opportunity for success.

Employee Evaluation and Treatment

Fair Evaluation and Compensation Structure

In fiscal 2001, Daikin Industries, Ltd. eliminated standardized wage scales based on age and seniority, along with uniform pay raises. Instead, we switched to a compensation system that rewards performance, not age or seniority.

Our performance evaluation focuses on how well employees improve their abilities. This evaluation also looks at job results in three categories called achievements, challenging spirit, and growth. To ensure even greater fairness of evaluation, managers evaluate their staff only after consulting with other managers. Employees are also evaluated based on their level of contribution to company successes and to the organization as a whole. In 2002, this compensation system was extended to include Daikin Group companies in Japan.

In addition, we have begun formulating a global, Group-wide human resources policy that includes evaluation and compensation in aiming to implement personnel measures that promote the desire to work and a sense of job satisfaction for all employees throughout the entire Group.

Job Placement and Transfer Mindful of Employee Circumstances

Whenever possible, Daikin Industries, Ltd. asks new employees where they want to work and if possible assigns them to the departments and sections of their choice. If new employees cannot be placed in the department or section of their desire due to personal aptitude and company needs, we do all we can to gain their understanding.

Every year, employees fill out their own record of work, which includes a column for free comments about health, family, and job positions desired. When we consider transferring an employee, we look at these comments and talk to them in efforts to ensure, whenever possible, that their job desires and spirit of challenge is reflected in the posts they are assigned to. For employees who wish to work overseas, we have established a practical training system to support employees in foreign positions.

We will continue to build rewarding workplaces for our employees by matching their dreams and goals with those of Daikin.

Human Resources

Basic Policy

Daikin Industries, Ltd. believes that cooperative labor management relations are the foundation of company management. We therefore place the utmost emphasis on equality of labor and management, as well as mutual trust between both sides. Our stance has, and always will be, to face the truth in solving all problems, and to speak frankly and draw clear lines between what is and what is not possible.

Except for managers and some contract employees, 87% of those at Daikin Industries, Ltd. are union members. The company holds frank discussions with the labor union. As soon as business plans are clarified, management holds a meeting where it explains these plans to the labor union. In fiscal 2021, there were 8 such meetings held at the head office. Participants discussed topics including how to improve workplace structure and motivation, make work more rewarding, and tackle management issues.

Employee working conditions and status are matters discussed between labor and management, with results of these discussions promptly reported.

Respecting the Rights of Workers

Specification in Work Regulations and Agreements and Publicizing of Respect for Workers Rights

At Daikin Industries, Ltd., we believe that the company should respect its employees as individuals and strive to improve their welfare, and that employees should fulfill their duties as workers. The principle of respect for the rights of the worker is specified in work regulations and labor agreements. We give a thorough explanation of the work regulations and labor agreement to new employees when they join the company, and the labor union also conducts similar education of employees to ensure employees have access to this information.

Dialogue with Employees

Hearings for Employees to Improve Working Conditions

Daikin Industries, Ltd. has about 10 hearings a year with at least 4% of its employees (approximately 300 employees). Salary negotiations are held between labor and management with consideration for factors including company performance, operational issues, world trends, and the work of the labor union. On top of that, each employee is interviewed. This results in employees receiving a salary that both sides agree is fair under the circumstances.

Besides salary, employees are also given hearings when there are matters to report from the company, such as new fiscal year policies, budget and performance reports, and a message from the president at bonus time. Other ways that we hold regular opportunities for dialogue with employees include meetings between managers and their workers during announcement of annual targets and employee evaluations. Listening to frank employee opinions ensures that we can continuously improve labor-management relations.



Sustainability Report

2022 -Web version-(As of November 2022)

Co-creation

Collaborative Innovation Led by Industry-Government-Academia Partnerships	370
Collaborative Innovation Led by Industry-Industry Partnerships	385
Start-Up Arises from Collaborative Innovation	394

Value Provision Themes Co-creation



Policy

Sharing Dreams and Ambitions Inside and Outside Daikin to Realize a Healthy, Comfortable Lifestyle through Air

Why is it important?

This enables Daikin to create innovation beyond its own organization through synergistic effects realized with companies, universities, and research institutes from different industries and fields.

Daikin's Approach

Daikin will use collaborative innovation not only for traditional manufacturing, but also to create experiences that provide new value to customers and society.

Sustainability Targets and Results

Collaborate, partner, and combine efforts with other companies, universities, and research institutes to achieve manufacturing and also creating experiences of new value for society

R&D expenditure

We measured the investment amount for value creation

Medium-Term Targets

Fiscal 2021 Achievements



226 billion yen **81.5** billion yen

•Number of cases of industry-industry and industry-academia collaboration

We measured the number of cases of industry-industry and industry-academia collaboration

Medium-Term Targets

Promotion of industry-industry and industry-academia collaboration

Fiscal 2021 Achievements

► **Z**industry-industry and

122 industry-academia cases

(Daikin Industries, Ltd. only)

(Page 385)

Collaborative Innovation Led) by Industry-Government-Academia Partnerships (Page 370)

We aim to create new value using co-creation with outside parties led co-creation with outside parties led by industry- government-academia tie-ups.

We aim to create new value using by industry-industry tie-ups.

Collaborative Innovation Led

> by Industry-Industry

Partnerships

Introducing initiatives from collaborative innovation to commercialization

Start-Up Arises from

Collaborative Innovation

(Page 394)

Related information

- > Stakeholder Engagement (Page 493)
- > Technology and Innovation Center (TIC) 🗖 (https://www.daikin.com/about/corporate/tic/)

Co-creation

COLLABORATIVE INNOVATION LED BY INDUSTRY-GOVERNMENT-ACADEMIA PARTNERSHIPS

Today, the rapid evolution in digitalization is greatly transforming the very structure of industry and society. This urgently requires that we shift to a business model with an eye toward a market focused on consumer sovereignty shifting from the consumption of goods to the consumption of experiences.

Daikin is taking up the challenge to achieve co-creative innovation through industry-government-academia partnerships by defining co-creation as the comprehensive initiatives, which involve deep interaction between the tops, managers, and team members of two organizations to encourage everyone in working together in considering topics from the very core question, therefore leading to the creation of new value, to move away from a full in-house development in preparation for the future.

Collaboration with the University of Tokyo

With the aim of creating new business that contributes to solving social issues around the world, Daikin is focusing on tie-ups with universities in Japan and other countries. In fiscal 2018, we signed a "University Corporate Relations Agreement" with the University of Tokyo for a 10-year partnership with investment of approximately 10 billion yen.

This agreement comprises three shared creation projects: tie-ups with business ventures with the aim of early market application; shared creation future vision leading to SDGs and Society 5.0*; and creation of futuristic technologies centered on advancing core technologies and creating new value. For example, for shared creation future vision, we will establish the vision for making air more valuable in the future, and come up with the technologies and businesses needed to create this value, in the process allowing both the University of Tokyo and Daikin to clarify the research tasks they need to take on.

In addition, the main feature of this agreement is the full-fledged exchange of human resources between the two parties. The University of Tokyo instructors and students, entrepreneurs, and Daikin employees can go freely between the organizations of the agreement parties with the aim of sharing knowledge, conducting joint research, and building career paths. Another aim is to accelerate mutual human resource exchange and achieve successes from shared creation by conducting global internships at Daikin worldwide sales, production, and R&D bases and providing assistance to the globalization and fostering global human resources at the University of Tokyo. As an example, we conduct joint training camp every year with the research lab of Professor Sakata (Department of Technology Management for Innovation), who is serving as a Daikin fellow. The aim of the training camp is to promote bilateral discussions on commercializing the research results from the university and resolving issues faced by the business departments in discovering themes of co-creation between industry and academia.

Currently, we are developing a prediction system for future market and technological trends using technology informatics taught as part of the social-collaborative seminars held at the Sakata Lab in order to develop new applications for materials.



* IoT: Internet of Things. People and objects connect to share knowledge and information via AI. Japan aims to realize a future in which IoT and AI advance the economy and solve societies problems.

Results from 2018 to 2020

Results of the Three Co-creation Projects

Co-creation Future Vision Leading to the SDGs and Society 5.0*

A total of 15 roundtable meetings on the theme of making air valuable were held over two years. The meetings involved participation by 41 professors representing 15 departments from the University of Tokyo, where lively discussions took place and a variety of knowledge was shared between the two parties. Through these meetings, we were able to take another look at our responsibility to society as a company that provides solutions with air and consider the value with air as we conducted discussions on the emergence of COVID-19 in the past two years.

Creating Future Technology Based on Core Technology Development and New Value Creation

We jointly established the Collaborative Research Unit on Circular Economy Modeling toward Cleaner Air.

Circular economy refers to an economic system that generates value through the cyclic use of resources, such as recycling and reuse, as opposed to the conventional economic system (linear economy) which involves a unilateral movement of resources from mining to processing, consumption, and disposal.

Air conditioners uses a large amount of metals such as copper and aluminum and refrigerants with high global warming potential, as well as consume electricity during their operation. Given the impact of the increased demand for air conditioners going forward, we strive to establish the necessary technology, systems, and infrastructure to realize a circular economy through conducting verification experiments and aims to promote policy proposals in achieving a sustainable economic model in 2026.

At the founding commemorative symposium held online, we introduced the founding objective and activity targets, as well as delivered lectures on the research trend of circular economy. We received a great deal of positive feedback from the over 300 participants in attendance in the post-event survey, expressing their interest in participation in our initiatives and willingness to share their space for experiments.

In addition, we signed new contracts toward creating future technologies, including 17 social collaboration seminars, one donation seminar, and 23 joint research seminars.

Among these, together we worked with Nippon Paint Holdings Co., Ltd. to formulate and publish the Reference Guide for Educational Institutions for Reducing Risks of Respiratory Infections.

Hosting Global Internships

Given our strength in global expansion, we offer global internships and conduct workshops. Twenty-three students participated in the internship, which included online meetings. This fiscal year, we focused particularly on actively involving instructors and had six on board from the working stage. We believe that the instructors we hosted, who had an opportunity to gain further understanding of Daikin's unique qualities and culture, will have a positive impact on future collaboration.

In addition, our employees also participated in seminars given by the academic frontier of the East Asian Academy for New Liberal Arts, with over 100 employees attending the first seminar. This is an initiative to expand the horizons of our employees through exchanges with diverse people and knowledge that they do not normally have the opportunity to meet.



Global internship

Related Information

- > Formulated reference guidelines on infectious disease control for schools through industry-academia collaboration (Value with Air) (Page 275)
- > DAIKIN-UTokyo Lab. 🗖 (https://daikin-utokyo-lab.jp/en/members)

Collaboration with Osaka University

In fiscal 2016, Daikin established the Daikin Collaboration Research Institute at Osaka University. This institute is developing new materials, new processes, and processing technologies related to the air conditioner business and has yielded results through its efforts to date in materials and procedure development in the environmental field.

This collaboration comes up with themes on revolutionary technologies and major themes with far-reaching implications, making use of Osaka University's state-of-the-art analysis equipment and technologies, such as the world-renowned Joining and Welding Research Institute, to tackle problems from a medium-to-long-term perspective and with a view to application across numerous fields.

In fiscal 2020, we solicited new ideas for research themes on air and spaces from students attending all schools of Osaka University. Until now, Daikin has collaborated with a wide range of departments at the university including not only chemistry, engineering and information and computer sciences, but also humanities, ethnology, pharmaceutical science and dentistry, to conduct feasibility studies.^{*} With regard to the future target value and vision that we will work together with Osaka University to achieve, our business departments and TIC have invited input for business ideas, and conducted workshops involving students of the Innovators Club and research lab of humanities and social science disciplines from the perspective of advanced technology for information science. We have formulated three main pillars of "Infrasharing," "Mass customization of environment," and "Digital Twin City" for achieving the vision of "Leading the Future of People and Space." Meanwhile, we have established technology and moved into the demonstration phase, while continuing to evaluate the commercialization concerning six themes of research conducted to date.

In fiscal 2021, we established a basic technology for hybrid laser welding through a feasibility study involving a blue laser for semiconductors and fiber laser. This technique is used for welding materials such as copper wires onto the motors of air conditioner compressor units, which will be continuously inspected for quantitative assessment on planned repairs and updates as we accumulate data at Yodogawa Plant and Kashima Plant over time. In addition, we also developed the AI-based automatic correction technology for processing conditions, which has been adopted on the compressor line at Rinkai Factory.

* A feasibility study involves investigating and verifying beforehand whether a new business, new product or service, or project is commercially feasible or not.

Information Sector Related Joint Research

We established the Daikin Information Science Research Unit (Di-CHiLD), and developed the controlling technology for sleep and learning environment aimed at expanding our Air and Space Solutions Business, as well as engineering workload reduction technologies such as air conditioner automatic selection and position detection aimed at expanding the Air Conditioner and Space Design Business from sales of air conditioners. We have established these technologies that started out as joint research themes, and are in the process of multiple patent applications.

Currently, we are conducting theme development activities, which also involve business departments, with universities and hospitals as two target markets. For universities, we added sensing and control as the new themes with installation of displacement ventilation air conditioners and density alert system based on traffic sensing to provide a safe and secure space, and energy management through traffic-sensor based on air conditioning and lighting. In addition, we are in the progress of deliberating materializing the business of providing an entire building with the addition of POC^{*} for new air conditioners as a theme for large and open spaces.

* POC: Proof of concept

Verification Experiment on Energy Management at New Minoh Campus, Osaka University

We are conducting a large verification experiment at the New Minoh Campus, School of Foreign Studies, Osaka University that just opened in April 2021. The experiment involves the concept of interaction between multitude of people, knowledge and culture. We are conducting multifaceted demonstration experiments for air space design and management that will guide the smart campus concept. An example of our experiments is the development of the design guideline for displacement ventilation air conditioners as a means for air ventilation that balances safety with energy efficiency. Other examples of research include comfort control and operations of air conditioners using a membrane ceiling to alleviate draft felt from the air output from the air conditioner, and development of new air conditioners that balance energy consumption with comfort by working in conjunction with human motion detection.



Discussion being held at Osaka University

Joint-Research on Air Conditioning and Chemical Core Technology

We worked with the Joining and Welding Research Institute, which possesses the world's leading technology, on the development of technology for sophisticated manufacturing and differentiation elements for the air conditioning business, and worked on creating an innovative fundamental technology for fluorochemicals as well as strived to take full advantage of Osaka University's cutting-edge analytical devices and technology for the chemicals business. We are also making use of the cross-appointment program^{*} to strategically facilitate human resource exchanges.

For air conditioners, we have hired Professor Fujita of the Design and Systems Engineering Department in fiscal 2020, who is the lead instructor of the project-based course, Interdisciplinary Innovation Comprehensive, to find solutions to social issues at Osaka University. In fiscal 2021, he provided workshops for our employees to inspire theme creation and helped us in cultivating Daikin's human resources.

As for chemicals, we have hired Professor Ogoshi, the core leader of the Organic Chemistry Department, and created themes together through a feasibility study and joint research with Professor Ogoshi acting as the coordinator. In fiscal 2021, four feasibility studies were carried out. To date, we have utilized our network of human resources in striving to create themes in a variety of fields.

^{*} The program enables researchers to enter into employee contracts with multiple universities, public research institutes, and private businesses to carry out their job duties.

Student Researcher Program, Leading Researcher Program, Al Human Resources Cultivation Program (Daikin Information and Communications Technology College) Diversity Research Environment Achivement Initiative Project (Female Participation Promotion)

We implement a training program for outstanding students at the School of Information Science and Technology at Osaka University (PhD students). We also conduct an internship program, which incorporates learning about challenges that may arise when using information technologies such as AI, IoT, and Big Data, and aims to cultivate human resources with practical skills through real life learning using actual data.

The leading researcher program receives corporate funding from the phase of fundamental research with an anticipation for advanced research results from these outstanding, young researchers, on future research themes that are not feasible by the university or corporation alone. We are contemplating the theme of the estimation system for body composition (body fat ratio) that can be useful in the sports gym business of the Defense Systems Division.

Daikin Information and Communications Technology College achieved its initial target for 1,000 lecture attendees in fiscal 2021 and it is now working to increase this figure to 1,500 by fiscal 2023. Furthermore, for challenging tasks of the PBL^{*} theme, we are inviting professors at Osaka University frequently to the TIC to conduct office hours for detailed instruction in order to solve the challenges.

For our diversity initiatives (female participation promotion), we have been implementing the innovation female participation promotion program, reception with female graduate students, and career advancement support program during childcare leaves. Given considerations for the COVID-19 pandemic, we are continuing with the implementation of symposiums via virtual meetings. In addition, we are conducting an online festival to entice more high school girls to consider studying the sciences.

* PBL: Problem-based learning

Related Information

> Daikin Information Secience Research Unit (Di-CHiLD) (available in Japanese only)

Collaboration with Kyoto University

Daikin began an comprehensive collaboration with Kyoto University in June 2013 with the aim of value creation through integrating humanities with sciences. Since then, we have worked on creating themes related to air and space primarily led by the Center for the Promotion of Interdisciplinary Education and Research, as well as implemented projects involving researchers in the humanities and sciences departments, such as the "100 people world café," where we launched the program of "800 keywords on the value of air." In addition, our collaboration also contributed to the creation of themes for joint research that played a part in the existing businesses of Daikin Industries, Ltd. as well as involved collaboration and exchange centered on cutting-edge technology that will transform our mainstay businesses of air conditioning and chemicals business.

In April 2021, we re-started our comprehensive collaboration under the new keyword of "well-being (a society for better living)" on subjects such as healthcare (healthcare-industry collaboration) based on DNA search using Nagahama Cohort, utilization of cutting-edge technology, collaboration in the fields of energy and cold chain, Asia and African area studies, and utilization of ventures.

Began Initiatives on Next-Generation Batteries

In fiscal 2020, we began initiatives on next-generation batteries, including solid-state batteries and fluoride ion batteries. Through the co-creative process with the research lab, we were able to establish relationships with automobile and battery manufacturers connected with the lab, as well as gain a wealth of knowledge on batteries, in addition to materials under the scope of our business. As a result, we are making progress with the creation of a structure for future commercialization.

In fiscal 2021, we worked with Dr. Takeshi Abe of the Department of Energy and Hydrocarbon Chemistry at Kyoto University on the development of fluoride cathode material for lithium-ion batteries, and confirmed operation on carbon fluoride. Upon verifying the principle, we plan to proceed with improving the cycle. At the same time, we also conducted joint research on polymer electrolyte.

Held Event under the Comprehensive Collaboration Agreement

In December 2021, we hosted an event called *Expanding the Creation of a Next Generation Society by Kyoto University x Daikin* under our comprehensive collaboration agreement. A total of 220 people participated including online. Daikin provided an overview on the Fusion 25 Strategic Management Plan and shared its initiatives, while professors involved in the partnership agreement at Kyoto University presented their initiatives. The event received positive feedback, including: "Daikin really conveyed its passion and determination toward the comprehensive collaboration." Some participants also expressed interest in co-creation following the event.

Collaboration with Doshisha University

In March 2020, Doshisha University and Daikin concluded a comprehensive collaboration agreement with the goal of conducting practical R&D on the theme of environmental issues. To reduce greenhouse gas emissions through its businesses, Daikin will harness the practical academic research capabilities for use in real society of Doshisha University, which aims to use academic outcomes to benefit society, along with the university's proprietary environmental technologies and expertise in related fields. Both parties will work to put CO₂ decomposition and reuse technologies into practical use and to further increase the efficiency of air conditioners that integrates technologies of mechanics, eletronics, and materials. In addition, they will develop talent in collaborative innovation through joint research.

Decomposition and Reuse of CO₂

We are conducting research on the technology to reduce CO_2 emissions utilizing Doshisha University's molten salt electrolysis technology and Daikin's fluorine technology. Specifically, we are studying the decomposition and reusage of CO_2 to turn CO_2 into chemicals and materials via electrolysis for reuse, such as in fuels. We have confirmed that CO_2 can generate useful compounds as the joint-research is progressing and results are beginning to show.

Further Efficiency of Air Conditioning

We launched a technology theme aimed at developing environmentally conscious technologies and products through making air conditioners more efficient. We are conducting research on the themes of motor structure and inverter control as well as elucidating the corrosive mechanism of heat exchangers for corrosion resistance.

Learning Program: Co-creation Course between Doshisha University and Daikin on "Next Environment" Launched

The cultivation of human resources for collaborative innovation began in earnest in fiscal 2021. We launched a course called Co-creation for Next Environment between Doshisha and Daikin under the advanced liberal arts subjects offered at Doshisha University. The course puts young employees of Daikin and students of Doshisha University together through mutual learning with a friendly rivalry, which is expected to yield strong educational results.

Specifically, the course provides general lectures based on Doshisha University's philosophy of conscientious education, as well as practical learning on future design that creates new technology and product ideas through predicting future societal changes and technological progress. In addition, the university also offers a full range of liberal arts subjects, including "Special Lectures on Environmental Literacy" and "Environmental Economics," in aiming to achieve a balanced education that blends sciences with humanities.

We conducted an exercise on future design as a group project. Participants provided positive feedback on the experience, stating that it has inspired a new perspective and way of thinking from being in the same class with someone from a different standpoint; namely university students and company employees, and engaging in frank discussions.



Future design exercise

Tie-up with Tsinghua University

In 2003, the Tsinghua University-Daikin R&D Center was established at Tsinghua University in Beijing, one of China's top universities. Since then, Daikin and the university have worked together to jointly conduct technology development with a focus on air conditioner technologies.

In fiscal 2016, the parties began collaborating in the chemical field as well. The center will expand into environmental fields such as air quality and energy conservation, as it carries out research with top-level scientists aimed at solving environmental problems.

In fiscal 2018, through participation in the University Industry Collaboration Committee (UICC), we built a strong network with Tsinghua University professors. We will utilize this network and our collaboration with the university to advance our R&D bases in China, including our base in Shenzhen.

Accelerating Research on a Safer and More Secure Living Space in China

In July 2020, professor Xudong Yang assumed the position of the president and chairman of Tsinghua University-Daikin R&D Center. Professor Yang is an expert in architecture and IAQ, and has the background of serving as a fellow in the U.S. and China. In addition to developing technologies for air conditioners and ventilation units to address the global challenges of low carbon emissions and carbon neutrality as well as the COVID-19 pandemic, we are making efforts from a wide perspective that will lead to our business results, including developing guidelines for making the actual living space safe and secure.

Moreover, Tsinghua University, Daikin Industries, Ltd., and Daikin Fluorochemicals China Co., Ltd. are conducting joint research with the aim of putting fluorine materials to practical use in EV batteries as well as in environment-conscious vehicles (EVs, FCVs, etc.)

Collaboration with Tottori University

Daikin began a comprehensive collaboration with Tottori University in May 2021 with the aim of promoting programs such as the arid land research and healthcare research through collaboration between healthcare, and industry. The program involves research projects such as the air conditioning solution research at Tottori University's Arid Dome, the only arid land research facility in Japan, and healthcare related research between the departments of medicine and engineering on stress reduction effect verification. In addition, we make use of the global training facility of Ales Aoya located in Tottori Prefecture to conduct active interaction between researchers and students at Tottori University as well as fostering expert human resources capable of creating air conditioner solutions business on the themes related to global arid lands.

Daikin Industries Ltd. and RIKEN Start Industry-Government Wellness Life Collaboration Program

In October 2016, Daikin Industries Ltd. teamed up with RIKEN, Japan's only comprehensive research institution dedicated to the natural sciences, to launch the RIKEN-DAIKIN Wellness Life Collaboration Program. Under the theme of comfortable and healthy spaces, the program is working on research to extend healthy life expectancy.

In June 2017, the partners established the RIKEN BDR-Daikin Collaboration Center for joint research into creating spaces that prevent fatigue. In November 2017, test facilities were established at RIKEN's Integrated Innovation Building (IIB) in Kobe for clinical research investigating matters such as how certain levels of temperature and humidity affect levels of fatigue. Data on the impacts on fatigue caused by air environment obtained in the winter of 2017 was presented in May 2018 at a meeting of the Japanese Society of Fatigue Science.

In addition, in 2019, we concluded a co-creation agreement with RIKEN's subsidiary RIKEN Innovation Co., Ltd. Going forward, we will continue to strive to extend healthy life expectancy through collaboration.

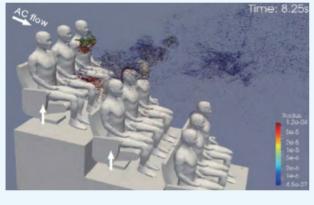
Participation in the COVID-19 Droplets Research Collaboration/Cooperation Program

As a co-creative theme in 2020, we participated in the COVID-19 Droplets Research Collaboration/Cooperation Program using supercomputer Fugaku. We aim to establish a safe and secure space design with simulation of ventilation method (airflow), airflow distribution, indoor air pressure, and air cleanliness, in order to facilitate implementation of the research and development and create innovation and not merely stopping at the simulation of droplets and airflow. In fiscal 2021, this project received the ACM Gordon Bell Special Prize for High Performance Computing-Based COVID-19 Research. The ACM Gordon Bell Prize is commonly known as the Nobel Prize of Supercomputing.

In addition, we further stepped up our efforts in fiscal 2021 to visualize airflow through improved digital engineering and airflow simulation of various air purifiers. The findings from our efforts are also being applied to the Fugaku project in further promoting social implementation of indoor environment design in response to COVID-19.

Prediction of indoor droplet infection on supercomputer Fugaku

Without mask



With mask

Collaboration with the National Institute of Advanced Industrial Science and Technology

Since 2015, we have been working with the National Institute of Advanced Industrial Science and Technology (AIST) in all technological fields in aiming to resolve the technical challenges we embrace at Daikin. We are harnessing the strengths of AIST in social implementation and standardization in implementing the three following projects.

- 1. We jointly develop magnetic refrigeration HP as a new technology with the highest likelihood to achieve non-fluorocarbon heat pumps with the goal of creating the world's first practical system. A magnetic refrigeration system is highly energy efficient as it does not use greenhouse gases. It is now being developed as an important technology in aiming to achieve carbon neutrality by 2050.
- 2. We are actively proceeding with research on ergonomics and creating the new concept of healthy air, to which functional substances may be instilled, in expanding the effect of health improvement and standardization of the application.
- 3. Through collaboration with Co-creation Consulting, we are promoting co-creation in a variety of fields including air conditioning, chemicals, healthcare, and others.

Collaboration with Nara Institute of Science and Technology

In October 2012, Daikin Industries, Ltd. and the Nara Institute of Science and Technology (NAIST) established the Future Joint Research Laboratories. In conventional agreements between industry and academia, the corporation generally names the project content and the university carries out the necessary project research. But this collaboration between Daikin and NAIST begins with a quest for pressing social issues, followed by discussions on how to solve them and then the start of research toward this goal.

In fiscal 2021, we worked to create a new theme that will connect to Daikin's Fusion 25 Strategic Management Plan. Our goal is to discover technology seeds that combine strengths in biological, information, and material sciences at the Nara Institute of Science and Technology.

Co-creation

COLLABORATIVE INNOVATION LED BY INDUSTRY-INDUSTRY PARTNERSHIPS

With the framework of competition undergoing a major transformation following the advent of the AI and IoT era, monotsukuri (manufacturing) will require novel thinking and approaches along with innovation with an eye toward the future of the world in five and 10 years into the future.

Daikin is tackling this challenge around the world using collaborative innovation led by industry-industry partnerships.

Daikin and FUJIFILM Corporation Commercialize New Noise Reduction Technology for Air Conditioners

Daikin is constantly working to achieve a balance between reducing the size and enhancing the performance of each air conditioner component in order to conserve resources. However, this requires an increase in the number of revolutions in compressors and fans, which causes an issue with increased operating noise. At the same time, many countries, including in Europe, have started to tighten their regulations against operating noises for air conditioners. In order to address these issues, Daikin and FUJIFILM Corporation began joint development on noise reduction of air conditioners in fiscal 2019.

In fiscal 2021, the success in the practical application of a new noise reduction technology for air conditioners came as the first result of this development. We tackled the challenge of balancing humidification and ventilation volume with quiet operation that was previously difficult to achieve while reducing operating noise by over 20%. This was achieved by installing ventilating soundproofing material from FUJIFILM on Daikin's air conditioner with humidifying and ventilating functions. The resulting soundproofed ventilating material was commercialized as an optional "silent humidifying and ventilation kit" for residential air conditioners in spring 2022. In the future, we will continue to work with FUJIFILM in developing technology that will further improve the performance of air conditioners.

Developing a Comfortable Waking System with KYOCERA Corporation

It is typically believed that sleep and daytime activities have a mutual effect. In addition, recent neuroscience research has revealed that the more the frontal lobe is activated, the clearer the head and the higher the performance, as well as the easier it is to control one's emotions, such as exhibiting kindness. At Daikin and KYOCERA, we have conducted joint research on a performance-enhancing waking system to enable the brain to be activated right after waking up and exert high performance based on the belief that a positive waking experience links to healthy daytime activities and restful sleep at night. In verifying the effects of this system, our two companies have joined the Institute of Development, Aging and Cancer at Tohoku University in a comparison study between this system and general alarm clocks. The results showed that the system had an effect on the level of brain activation and comfort upon waking.

This represents the world's first alarm system that promotes brain activation in a comfortable environment by combining air stimulation at a soft and gentle rhythm based on Daikin's air control technology and CERAPHIC® LED lighting that combines violet LED and RGB phosphor blends technology from KYOCERA which is close to natural light and gentle on our bodies.

Going forward, Daikin and KYOCERA will take on further product development based on the knowledge and experience learned through this joint research.

Daikin and Kansai Electric Power Co., Inc. Begin Demonstration Experiments on Combining Solar Power Generation with Air Conditioning Control

Daikin and Kansai Electric Power Co., Inc. are conducting a joint demonstration experiment on an energy management system that uses air conditioning control and solar power generation at the Rinkai Factory of Daikin's Sakai Plant.

Solar power has been introduced as a renewable energy source to reduce greenhouse gas emissions. It is one of the most anticipated low-carbon, home-grown energy sources with the most adopted technology. On the other hand, since the power output is weather dependent, the stable supple of energy from solar power generation presents a challenge. To promote solar power as the main power source, we must create a system capable of adjusting power supply and demand that can nimbly adjust the operation of equipment on the users' side based on changes in output.

In this demonstration experiment, we installed a solar power generator from Kansai Electric Power at the Rinkai Factory and managed the power supply and demand within the factory using Daikin's centralized controller, Intelligent Touch Manager^{*1} (iTM) and Kansai Electric Power's air conditioner control service, Omaka Save-Air^{*2}. Our goal is to establish a technology that optimizes control of air conditioners, which have a high power consumption ratio, based on the change of power output generated from solar power.

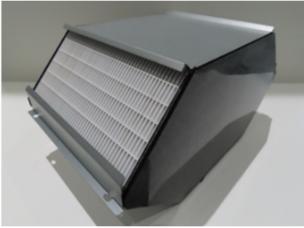
Considering the experiment's results, we believe it is possible to conserve energy and reduce costs by introducing renewable energy, and that solar power may be one of the initiatives to realize carbon neutrality on the frontline of manufacturing as we pursue decarbonization.

- *1 A centralized, touch-panel controller that is capable of integrated control of multiple equipment, from air conditioners to water heater and lighting, and visualization of necessary information on energy management to achieve facility power-saving and energy-saving measures.
- *2 This system optimizes control timing based on customers' air conditioner usage through functions of "AI automatic tuning" and "demand control" to minimize electricity consumption by air conditioners and demand, which is expected to reduce electricity bills for operating air conditioners. This was developed at Kansai Electric Power Group.

Daikin and Daicel Accelerate Co-creation Aimed at Developing World-First and World-Best Products

Daikin has engaged in technology exchanges with Daicel Corporation over the course of the last two decades. From 2016, we have been working on co-creation by utilizing Daicel's strengths in innovative "materials technology" and Daikin's strengths in "air conditioning elemental technology," moving beyond our partnership's previous focus on production innovation. To date, we have continued to expand co-creation aimed at world-first and world-best products that provide value to customers in order to resolve social issues.

As outcomes of co-creation, in fiscal 2020 we jointly developed a moisture-permeable membrane total heat exchange element for ventilation equipment and low pressure drop air filter media for large air conditioners following growing worldwide demand for air quality. In fiscal 2021, we developed a total heat exchange unit equipped with moisture-permeable membrane total heat exchange element, and launched sales in China in August. In addition to its brand new features of barrier capability against viruses, and anti-fungal and anti-bacterial properties not found in conventional products, this innovative product is washable and can be disinfected, providing an enhanced level of safety.



Moisture-permeable membrane total heat exchange element

Improving Work Efficiency and Quality with Connected Workers

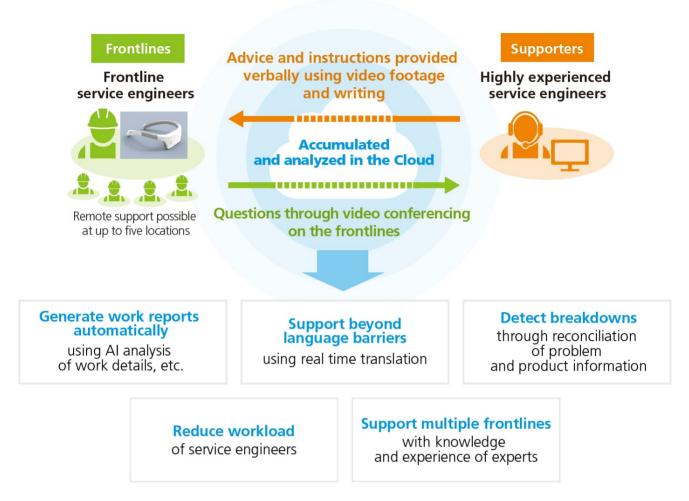
In November 2019, Daikin and Fairy Devices Inc. jointly began working on an initiative to improve work efficiency and quality through the creation of connected workers^{*1} in service areas such as maintenance and inspections of air conditioners. Fairy Devices will provide its voice recognition, edge AI, and data analysis technologies, while Daikin will contribute its frontline expertise globally, as the two work together to resolve issues faced by service operations.

Specifically, the THINKLET[™] smart wearable device and technology stack^{*2} developed by Fairy Devices and an online app for operational support developed by Daikin are combined to develop a remote work support solution where experienced service engineers can support and train workers remotely. The two companies aim to use this solution to quickly foster talented service engineers while at the same time improving the technical skills and decision-making abilities of workers not only in Japan but around the world, and realizing high quality frontline operations that are highly efficient and sound.

In fiscal 2021, we began to establish and expand our global intellectual properties portfolio in the technical area related to development and improvement of CWS and its practical implementation in frontline processes for air conditioners. In order to establish a de facto standard for DX on the frontline and accelerate global expansion, it is crucial to maintain a large group of patents and IP strategy based on these patents. Our goals are to maintain Daikin's pioneering advantage in technical areas relevant to our business and expedite DX on the frontline on a global scale through establishing an IP portfolio based on the patents we own, while increasing and expanding the number of global patents. Moreover, by utilizing our intellectual property portfolio for open innovation with other companies, we hope to advance on-site DX that cannot be achieved by two companies alone.

- *1 A collective term representing frontline workers able to receive various forms of support and required information even in remote locations by using a wearable device or sensors.
- *2 An API or AI engine platform comprising a collection of various technologies that can function individually or in an integrated manner.

Overview of Remote Work Support Solutions



Daikin and Hitachi Promote Collaboration to Create Next-Generation Production Model Using IoT

Daikin and Hitachi, Ltd. embarked on a collaborative project to create the next-generation production model using IoT to support skills transfer from expert workers as of October 2017.

Combining Daikin's brazing process, which is part of the manufacturing of air conditioners, and Hitachi's advanced image analysis technology, the solution core of the company's Lumada IoT platform, the demonstration project will digitalize the skills of expert workers and trainees so that these can be compared and analyzed in verifying a production model system. The aim of this project is to achieve uniform quality, improve productivity and foster talent at Daikin's production bases inside and outside of Japan.

In fiscal 2018, a support system for training in brazing techniques was incorporated and began operation at three bases: the Sakai Plant, Shiga Plant, and Daikin Ales Aoya Global Training Center. Toward incorporation of this system at all worldwide bases, in addition to using it for actual skills training, we are improving the system for better ease of use by, for example, standardizing teaching processes using the system, improving display methods, and making it multi-lingual.

Our new R&D effort utilizing image analysis on technology for automatically measuring actual working time and work details of production line workers using images taken with cameras installed on the lines is progressing. At present, we have adopted a time measurement system on all assembly line processes, and we are conducting verification of this technology on the frontline of our production operations. In addition, this system has been adopted for practical use at Rinkai Factory of Sakai Plant.



Expert worker and trainee (photo courtesy of Hitachi, Ltd.)

Establishing a Collaborative Platform Utilizing Data on Air and Space

Daikin has established a collaborative platform called CRESNECT under which it works with a number of partner companies to utilize data gathered from air conditioners in order to come up with new value and services encompassing air and space. Using data that can be gathered from air conditioners, Daikin and the partner companies study how to improve office productivity and maintain worker health and come up with new value and services.

As the first project under CRESNECT, in July 2019 Daikin and partner companies, including Okamura Corporation, Panasonic Corporation Electric Works Company, among others, launched demonstration testing aimed at realizing the office of the future at point 0 marunouchi, a membership-based co-working space in the Marunouchi district of Tokyo. In this trial, members of point 0 marunouchi experience spatial content that is conducive to more efficient and healthy working and that is made possible by pooling state-of-the-art technologies, data, and know-how possessed by the CRESNECT partner companies. The aim is to test out how to build a healthy, comfortable office environment and contribute to the creation of new products and services.

point 0 marunouchi received the gold rank in the WELL Building Standard (WELL v2 pilot), a rating system for offices that aims to create a better living environment. Daikin has designed the layout of ventilation in each room to meet the certification standard in the category of "air and space". We have enhanced the air ventilation system by adding more high performance air filters to maintain good air quality.



Membership-based co-working space, point 0 marunouchi

Related information

point 0 marunouchi 🗖 (https://www.point0.work/#/#/)

Wind Unit, the First Product Created from the point 0 marunouchi Project

Daikin and Okamura Corporation jointly developed Wind Unit, a fan for office use upon demonstration experiment at point 0 marunouchi. This newly developed product comes as a unit that combines Daikin's "Wind Creator," a large format fan that mimics natural wind, with the shelving unit made by office furniture solutions provider, Okamura, in the "Lives" furniture series. The fan provides comfortable wind throughout the entire office that mimics the natural swaying of wind based on measurement data from Karuizawa. It also functions to even out inconsistent air flow resulting from different office layouts, which also improves ventilation efficiency.

This product was developed based on Wind Creator installed at point 0 marunouchi following user feedback from the office. In response to many users' request for the product to be commercialized, we began launching the product as one of the office solutions provided by Okamura. This marks the first product created as a result of the demonstration experiment project conducted at point 0 marunouchi.



Wind Unit that mimics natural wind

Technical Briefing Held to Promote External Co-creation

In September 2021, Daikin held a technical briefing session for reporters from newspapers and news agencies on strengthening technology development capabilities under our Fusion 25 Strategic Management Plan. The session promoted external co-creation and 14 people representing 13 agencies participated both in person and online. We received positive feedback from participants, including "I am very inspired by the length Daikin has gone to provide such detailed information on their technology, which serves value," and "I had some understanding of the text but this presentation brought my understanding to a whole new level. There are many technology and initiative themes I am interested in, which I hope to connect with my future interviews." We hope to continue our active dissemination of technology to the outside for more people to know about Daikin, which could potentially link to collaboration.

Co-creation

START-UP ARISES FROM COLLABORATIVE INNOVATION

From Collaborative Innovation to Market

The new value that arises from collaborative innovation won't benefit people around the world unless it comes in the form of an available product.

Products must be made into business models that benefit a company, its customers, and society; otherwise, it's just an empty proposition.

In the field of energy, in 2017 Daikin established a new company that makes micro-hydroelectric power generation systems.

This company, DK-Power, Ltd., is the first start-up to come out of the Technology and Innovation Center (TIC); the first case of an R&D theme at TIC leading all the way to market participation.

DK-Power, Ltd.

Local production and local consumption of energy: helping solve environmental problems

There has been increasing focus on micro-hydroelectric power, which taps energy from the water flow of rivers, water supply and sewage systems, and other waterways. Although they provide only a fraction of the power of conventional large-scale power plants, they can be set up in a large number of locations where there is a water canal or other flow of water—not just in the mountains but in many other places close to towns and cities. These "water wheels of the future" can be used almost anywhere. However, this method of power generation has not spread significantly, due to the high cost per amount of power generated and the large size of the equipment.

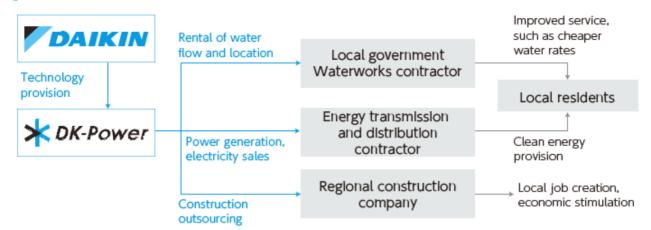
Daikin has utilized its technologies in air conditioning and hydraulic machinery to develop a compact, low-cost micro-hydroelectric power generation system, equipped with vertical inline pump reverse turbine, for water channels. Through technology for making electricity from waterflow using the motor inverter technologies that Daikin has built up, it is now possible to create natural energy instead of discharging CO₂ in the power generation process. The "small energy" created by micro-hydroelectric power generation systems is also green energy.

In 2013, Daikin's micro-hydroelectric power generation system was adopted under the Low Carbon Technology, Research, Development and Demonstration Program of Japan's Ministry of the Environment (MOE). It underwent demonstration testing over a three-year period in Nanto City, Toyama Prefecture, and Soma City, Fukushima Prefecture, which resulted in practical product application.

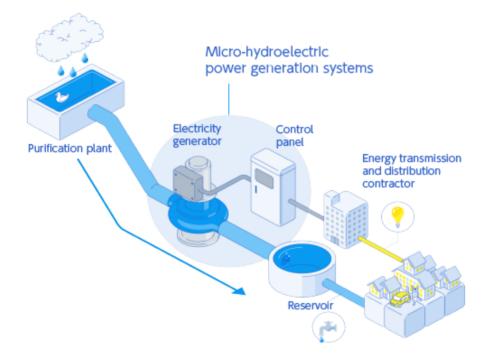
In June 2017, we established DK-Power, Ltd., a subsidiary whose business is generating power through microhydroelectric power generation systems. The company installs these systems on waterworks facilities owned by local governments, and manages, operates, and sells the electricity that is generated. We will collaborate with numerous partners—such as municipal waterworks contractors, regional construction companies, and energy transmission and distribution contractors—as we pursue the business of generating and providing renewable energy.

By using micro-hydroelectric power generation systems and the clean energy they provide, cities, towns, and neighborhoods in Japan and around the world get independently produced and sustainable electricity and thus contribute to a sustainable society.

Business Model Based on Use of DK-Power's Micro-hydroelectric Power Generation Systems



Micro-hydroelectric Power Generation System



Award from the local government

We received an award from the local government for having generated more than 170 MWh of electricity in one year since the start of power generation, which is equivalent to the electricity consumption of about 57 households^{*}, in Suita City, Osaka Prefecture,

* Calculated based on the Nuclear Power and Energy Drawing Collection of the Federation of Electric Power Companies and assuming a monthly electricity consumption of 247.8 kWh for a household.

Related information

> DK-Power, Ltd. (available in Japanese only) 🗖 (http://www.dk-power.co.jp/)



Sustainability Report

2022 -Web version-(As of November 2022)

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Foundational Themes Corporate Governance



Policy

Accelerate decision-making and operational execution in response to management tasks and the changing management environment, and raise the level of management transparency and soundness to raise corporate value

Why is it important?

The importance of corporate governance as a check function for management is increasing amid the growing social responsibilities of companies driven by changes in business values and globalization. To strengthen corporate governance, companies must not only avoid risk and prevent scandals, but also support improved profitability and medium- to long-term value along with sustainable growth, which will also protect the interests of stakeholders.

Daikin's Approach

Daikin recognizes that the role fulfilled by corporate governance will help to increase corporate value by promoting a balance between forward-looking/speedier decision making and operational execution and tireless upgrading of transparency and soundness in response to the Group's management tasks and surrounding environment. As a result, we increased the number of outside directors by one to four in June 2020, making the ratio of outside directors over one-third. In this manner, we are working to further upgrade management and strengthen the board's supervision functions.



Through an integrated management system for fast decision-making and execution, we improve our operational speed and ensure sound, transparent management.

🕽 Management 🗖

(https://www.daikin.com/ corporate/overview/summary/ directors/)

Names and biographies of the Daikin Industries, Ltd.'s Management.

> Risk Management

(Page 409)

We quickly and accurately get the big picture regarding risk, and we strive to reduce it by conducting cross-organizational risk management.



and corruption based on the provisions on "Free Competition and Fair Trading" and "Practicing Moderation in Entertainment and Gift Exchanges" set out in the Group Conduct Guidelines.

) Information Security

thorough legal compliance.

(Page 427)

We have stipulated our Information Security Basic Policy and built an information management security system, and these are the basis for efforts to appropriately manage and use confidential information.



(Page 432)

Intellectual property is a valuable company asset. We carry out proper and fair exercise of rights in response to violation of our intellectual property as well as respect other companies' intellectual property.



(Page 437)

We take steps to ensure thorough tax compliance pursuant to the Group Conduct Guidelines.

Related information

- > Corporate Governance Report (Page 402)
- > Securities Report (available in Japanese only) 🗖 (https://www.daikin.co.jp/investor/library/securities)

CORPORATE GOVERNANCE

Basic Policy

Further Boosting Corporate Value

Daikin believes that the role of corporate governance is to accelerate decision making and operational execution work in anticipation of and in response to changes in management tasks and the management environment while concurrently promoting consistently high levels of management transparency and soundness, thereby increasing the Group's corporate value. The Group will continue to raise corporate value by ensuing the increasing sophistication of speedy management and still-higher levels of transparency and soundness. We will achieve this by constantly reviewing and implementing optimal corporate governance and by spreading best practices throughout the entire Daikin Group.

Corporate Governance Structure

Management and Operational Execution Systems

Rather than adopt a U.S.-style "committee system" that completely separates decision making and work supervision from operational execution, Daikin Industries, Ltd. has adopted an "integrated management" system that provides more advanced management. We believe that this system is effective in speeding up decision making and execution, which in turn will accelerate the globalization of our operations and business growth as a Company with an Audit & Supervisory Board. In an integrated management system, directors quickly make strategic decisions and conduct sound and appropriate supervision and guidance, thus achieving management responsibility through cooperation across all management and at the same time achieving work execution responsibility through prompt action. Numerous external officers monitor the execution of operations from an independent perspective and offer appropriate supervision and advice during decision making, in the process taking responsibility for supporting our "integrated management" from the standpoint of transparency and soundness. To improve execution of operations, Daikin Industries, Ltd. has introduced an Executive Officer System, whose members are appointed by the Board of Directors. The goal of this system is to accelerate the speed of execution based on autonomous judgments and decisions in units handling each region, division, and function.

Directors are selected with an emphasis on having a diverse range of personnel representing people of varying genders, nationalities, and experience. As of the end of June 2022, we have 11 directors (including one woman and one non-Japanese nationals). These directors oversee prompt and strategic decision making and sound supervision and guidance throughout the entire Group.

Daikin Industries, Ltd. appoints four external directors and two external Audit & Supervisory Board members with no vested interest in our company.

To ensure that the external directors can effectively contribute to Daikin Industries, Ltd.'s corporate governance system, the employees in the Corporate Planning Department are assigned to provide the external directors with early notice of Board of Directors meetings. In addition, in the case that an external director is not able to attend a Board of Directors meeting, the assistants provide the external director with related materials and subsequently provide the external director with an explanation of the proceedings of the meeting and provide other assistance.

The average tenure of directors is 9.7 years and each external director does not hold more than three concurrent positions other than his or her position with Daikin Industries, Ltd.

> For information on the independence of directors, see our Corporate Governance Report. 📩 (482KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/management/pdf/Corporate_Governance_Report-pdf.pdf)

Audit System

Daikin Industries, Ltd. employs an Audit & Supervisory Board. As of June 2022, Daikin Industries, Ltd.'s four Audit & Supervisory Board members include two external Audit & Supervisory Board members. The principal nomination criteria for external Audit & Supervisory Board members are the same as those for external directors and include independence from the Company in terms of not having a relationship of interest with the Company.

The external Audit & Supervisory Board members attend meetings of the Board of Directors as well as other important meetings and receive reports. In addition, they are able to express diverse opinions.

To ensure effective audit functions, the Audit & Supervisory Board receives reports on important issues related to management and performance when necessary and also investigates relevant units, confirms approval of documents, and regularly exchanges opinions with representative directors, executive officers, and the independent auditors.

To ensure the effectiveness of Audit & Supervisory Board members, there is the Office of Audit & Supervisory Board Members. Staff of the Office carry out their duties to support the work of Audit & Supervisory Board members under the orders of Audit & Supervisory Board members. The opinions of the Audit & Supervisory Board are respected on matters related to personnel transfers, work evaluations, and other matters pertaining to the Office of Audit & Supervisory Board Member staff members.

The Audit & Supervisory Board stipulates Code of Audit & Supervisory Board Member Auditing Standards, in which it is written that members should strive to constantly educate themselves to improve the quality of audits.

One way they educate themselves is through participation in working groups and training events sponsored by the Japan Audit & Supervisory Board Members Association. The Audit & Supervisory Board communicates closely with accounting auditors. It also receives advice when necessary from outside experts such as certified public accountants and lawyers.

Organizational Structure Supports Speedy Management Implementation

Daikin Industries, Ltd. is striving to ensure prompt decision-making by having a smaller number of directors and having them take part in practical debate on issues. Three organs—the Board of Directors Meeting, the Group Steering Meeting, and the Executive Officers Meeting—are the main management bodies.

The Board of Directors is the Group-wide decision-making body for items stipulated in laws, regulations, and articles of incorporation. It also provides sound, appropriate supervision and guidance in the execution of operations. In fiscal 2021, the Board of Directors Meeting was convened 15 times, with external directors attending on average 95% of the meetings and external Audit & Supervisory Board members attending on average 93% of the meetings.

To evaluate board effectiveness, each director is interviewed individually each year as a way to confirm his or her effectiveness and to conduct self-evaluations. During the evaluation of board effectiveness in fiscal 2021, opinions were shared to help improve the administrative aspects of board meetings as well as further strengthen decision making and supervision functions. Going forward, we will continue with our efforts to further improve board effectiveness, including not only administrative improvements, but also deliberation of strategy and management tasks in a cross-functional manner, and improve reporting of status of business execution, including risk management.

The highest deliberation organ for the Group's management system is the Group Steering Meeting, which strives to constantly speed up the pace at which the Daikin Group decides on future direction and solves issues related to important management policy and strategies. The Group Steering Meeting was convened three times in fiscal 2021.

The Executive Officers Meeting, established following the introduction of the Executive Officer System, promotes speedy implementation and thorough deliberation regarding important management tasks related to operational execution.

At the same time, to ensure the effectiveness of audits, we developed a system with Internal Control Committee, the Corporate Ethics and Risk Management Committee, the Information Disclosure Committee, and the CSR Committee positioned under the Board of Directors. We are strengthening governance as the foundation for sustainable growth.

HRM and Compensation Advisory Committees

To ensure the transparent management of its corporate officer personnel and remuneration processes, Daikin Industries, Ltd. has established the HRM Advisory Committee and the Compensation Advisory Committee. These committees engage in discussions and deliberations regarding issues including corporate officer nomination criteria, corporate officer candidates, and remuneration. As of end of June 2022, the HRM Advisory Committee and the Compensation Advisory Committee consist of six members—four external directors, one internal director, and one Human Resources executive officer—and is chaired by one of the four external directors.

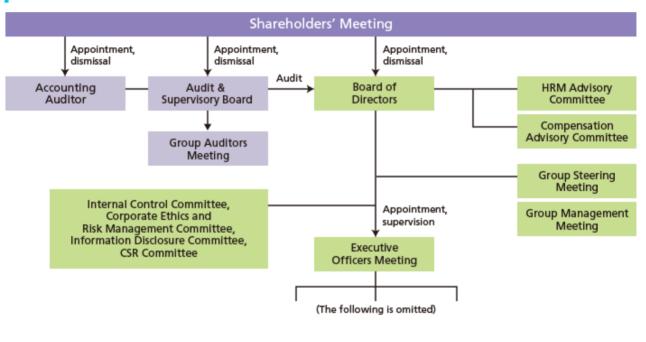
In addition, the suitability of candidates and their training plan for the successors of executives such as directors, CEOs, and executive officers, are to be first deliberated and examined by the HRM Advisory Committee, followed by the same process by the Board of Directors.

Group-Wide Governance

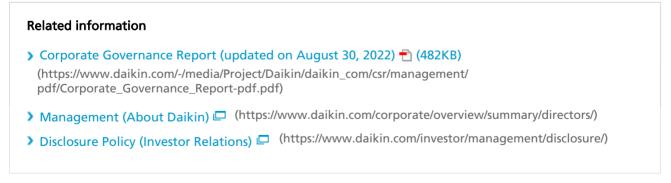
To ensure governance throughout the entire Group, including companies acquired by Daikin, the Group Management Meeting is held regularly with the aim for action based on unified opinion throughout the Group. It does this by sharing important Group policies and basic strategies, as well as providing support for problem-solving in Group companies.

The Group Auditors Meeting, made up of auditors from the main Group companies, works to strengthen auditing and control functions throughout the Group and ensure that these functions are working to the fullest.

To further raise corporate governance and Group management as a multinational company, Daikin has put a Chief Global Group Officer position in place. Under this position, the Group strives to further improve cohesiveness across global operations.



Corporate Governance Structure (as of end of June 2022)



Corporate Officer Remuneration, Etc.

The Compensation Advisory Committee, chaired by an external director and a majority of whose members include external directors, deliberates on policies of remuneration for directors, the validity of the remuneration system and levels of remuneration, and the details of remuneration paid to each director, while closely monitoring the environment surrounding officer remuneration.

Specifically, from the perspective of ensuring the independence of judgment and enhancing the effectiveness of its functions as an advisory body, the Compensation Advisory Committee examines and deliberates from various angles the relative position of the Company's performance position and remuneration level among the group of comparative companies, appropriateness of remuneration, etc., while utilizing information gathering and advice from external specialized organizations. In turn, the committee confirms and deliberates the contents of proposals concerning the amount of remuneration, etc. for each individual director from an objective perspective and submits its opinions to the President and CEO. Following discretionary approval from the Board of Directors and in principle based on the applicable reports, the President and CEO makes the final decision on the amount of individual compensation for directors.

Daikin Industries, Ltd.'s corporate officer remuneration system is designed to accord with the Group's management policy and respond to shareholders' expectations by increasing corporate officers' motivation to promote a sustained increase in Group performance over the medium to long term and thereby contributing to a rise in the Group's corporate value.

Directors' remuneration includes "fixed compensation," "performance-linked compensation" that reflects the Group's short-term performance (net sales and operating income) and each director's job responsibilities, and "stock options" that reflect the Group's medium- to long-term performance. The performance-linked compensation of Daikin directors is given a somewhat higher ratio of linkage with performance than average to ensure that the incentive effect of that compensation is sufficient.

The remuneration of external directors and corporate auditors includes "fixed compensation" only.

Compensation levels are determined based on consideration of Daikin's performance and remuneration levels compared to those of other leading manufacturing companies in Japan after analyzing and comparing data from an outside specialized institution on the remuneration of corporate officers active in just under 300 companies listed on the Prime Market of the Tokyo Stock Exchange (executive compensation databases of Willis Towers Watson).

Related information

 Corporate Officers with Compensation Over 100 Million Yen, Accounting Auditor Compensation (Search by ESG Data) (Page 697)

Corporate Governance

RISK MANAGEMENT

Basic Policy and Management System

With the Daikin Group expanding rapidly around the globe, we have introduced company-wide, crossorganizational risk management in order to quickly get an overall picture of risks from a global point of view and reduce the risks. With our president as the highest ranking person in Daikin's risk management structure, we carry out risk management in the following three areas.

1. Strategic risk

Risk related to strategic decision-making in the management of Daikin (Division in charge: Corporate Planning Department)

- 2. Internal control risk in financial reports Risk related to the reliability of financial reports (Division in charge: Finance and Accounting Division)
- 3. Operational risk

Management and operational risk related to internal and external causes (Division in charge: Corporate Ethics and Risk Management Committee)

Strategic risk is deliberated on by management members through platforms such as the Group Steering Meeting and the Executive Officers Meeting. As for risk related to the reliability of financial reports and operational risk, the Internal Control Committee, headed by the president, inspects these biannually to ensure that they are being properly managed within the Group's risk management and overall internal control structure.

Related information

> Environmental Risks and Opportunities (Page 133)

Business-Related and Other Risks

The following are possible risks affecting the Daikin Group's financial situation, business performance, and other areas.

For details about each risk, see

> page 14 "Operating Risks" of Securities Report (available in Japanese only).

(https://www.daikin.co.jp/investor/library/securities)

Business-Related and Other Risks

- 1. Risks related to market environment
 - 1. Risks related to changes in market environment
 - 2. Risks related to fluctuations in foreign exchange rates and financing environment
 - 3. Risks related to fluctuations in the market value of securities
- 2. Risks related to business activities
 - 1. Risks related to technologies, products or services
 - 2. Risks related to acquisitions or partnerships with other companies
 - 3. Quality and accountability for products and services
 - 4. Risks related to procurement
 - 5. Legal regulations
 - 6. Information security
- 3. Risks related to the environment, such as climate change
- 4. Others
 - 1. Impairment of long-lived assets
 - 2. Natural disasters

Related information

- > Securities Report (page 14 "Operating Risks") (available in Japanese only) (https://www.daikin.co.jp/investor/library/securities)
- Product Quality and Safety (Page 306)
- > Philosophy on Suppliers (Page 454)
- > Compliance (Page 414)
- > Information Security (Page 427)
- > Response to Climate Change (Page 163)
- > Management and Reduction of Chemical Substances (Page 236)
- Risk Management (Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures) (Page 413)

Operational Risks

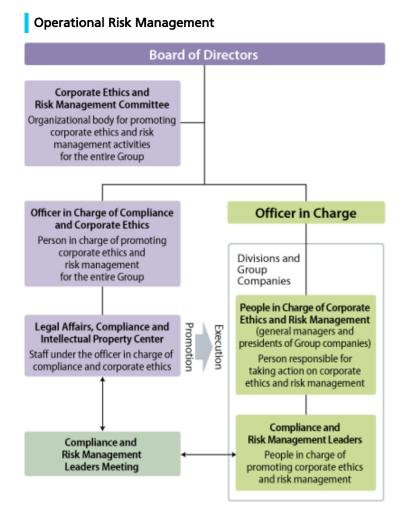
The directors and executive officers in charge of a duty have the authority and responsibility to create a Group-wide, cross-organizational system that covers the entire sphere of that duty; for example, in terms of product liability and quality, safety, production and sales activities, and disasters.

Risks facing the entire company are selected based on risk assessment results and after discussions held at risk assessment evaluation meetings led by the heads of corporate departments, and then finalized after deliberation by the Corporate Ethics and Risk Management Committee.

All divisions and major group companies around the world carry out annual risk assessments to determine the most important risks in line with the risks faced across the company. Based on this, companies propose and implement countermeasures to reduce risk. They also make reports on the progress of these measures and present and share them via the Corporate Ethics and Risk Management Committee.

Major Operational Risks in Fiscal 2021

- Natural disasters
- Product quality
- Harassment prevention
- Information management
- Strengthening of overseas crisis management



Preparing for Other Major Risks

Revamping Natural Disaster Risk Measures and Stepping Up Safety Measures

With natural disasters such as typhoons and torrential rains occurring with increasing frequency, Daikin Industries, Ltd. is taking measures against natural disasters as a whole, not just earthquakes. To this end, we are making disaster response a key company-wide theme and we are building stronger, more comprehensive disaster measures that include both hard and soft aspects.

In preparation for earthquake risk, we have made and are implementing proposals in areas including reinforcement of earthquake resistance at our plants and flooding measures at our chemical plants, as well as evacuation drills to prepare for flooding. Despite various natural disasters occurring, the measures that we have in place allowed us to avoid any fatal damage.

We are also creating a business continuity plan (BCP), identifying risks, and making and implementing proposals to, for example, prevent production equipment from toppling, ensure stable procurement of parts and materials, and implement countermeasures for logistics.

Group companies are also proceeding with their own BCPs.

Measures to Deal with Information Leak

Daikin has made preventing information leaks one of its key company-wide themes. IT-related divisions and compliance-related divisions cooperate closely, and personal information managers and information security leaders in each division lead efforts to minimize the risk of information leaks.

In addition, we are working to reinforce our management capacities to prevent leakages of important technical information.

Related information

> Information Security (Page 427)

Corporate Governance

COMPLIANCE

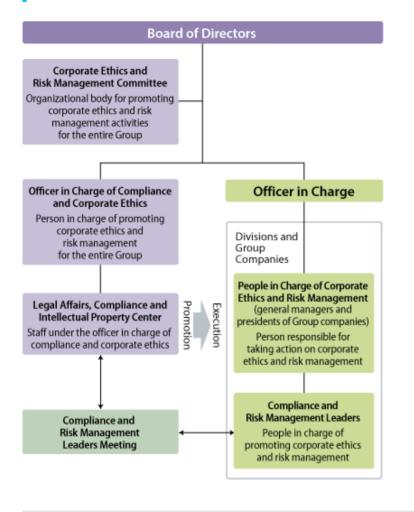
Basic Policy and Management System

Daikin inspects and checks whether the group's internal controls are functioning appropriately, including risk management, through the Internal Control Committee chaired by the President and CEO. In addition, the Corporate Ethics and Risk Management Committee carries out operational risk management and ensures compliance.

The Corporate Ethics and Risk Management Committee is the organ for leading group-wide corporate ethics activities. It is headed by the officer in charge of compliance and corporate ethics and made up of general managers and presidents of major group companies in Japan. At meetings held twice a year, the committee focuses on solving key issues and reports on efforts by overseas group companies to tackle compliance issues.

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees, and compliance and risk management leaders (CRLs) are appointed in each division and major worldwide group company to ensure thorough compliance. By regularly confirming the state of compliance and risk management efforts, sharing information, and making the Group Conduct Guidelines second nature to everyone, we aim to cultivate a corporate culture and improve a system in which all employees ensure that they and their colleagues are always in compliance.

Compliance System



Related information

> "Group Conduct Guidelines" (CSR Philosophy) (Page 71)

Compliance Efforts

Ensuring Constant Compliance with Conduct Guidelines through Self Assessments, a Daikin Initiative

Every year, we conduct self-checks regarding compliance with the Group Conduct Guidelines using our proprietary self-assessment system. The results are used to glean issues facing each workplace and implement countermeasures, which are then reported to and shared with the Corporate Ethics and Risk Management Committee.

Based on the results of the self-assessment, we select departments and group companies subject to audits and the legal department conducts legal audits annually regarding the status of compliance initiatives. Additionally, we conduct a compliance survey.

The results of the self-assessment are shared with the internal auditing department and finance and accounting department and utilized in audits conducted onsite.

Handbook for Corporate Ethics Uses Concrete Examples to Familiarize Employees with Group Conduct Guidelines

Our Group Conduct Guidelines stipulate the appropriate behavior of our directors and employees globally including Group companies. The guidelines are available not only in Japanese, but they have also been translated into English and Chinese. To help directors and employees act in accordance with these guidelines, we have also created the Handbook for Corporate Ethics, which uses concrete examples to help all employees attain a thorough understanding of compliance.

Daikin Industries, Ltd. gives employees, along with this handbook, compliance cards that they must carry with them at all times so that they can be sure they are following rules and always be aware of the importance of compliance. In the area of legal compliance, compliance and risk management leaders (CRLs) in each division head efforts to gather the latest legal information and check to see if laws are reflected in company rules and manuals. There are also daily triple checks to ensure everyone is following laws and company rules and manuals.



Handbook for Corporate Ethics

Formulating Common Worldwide Rules and Sharing Them with Overseas Group Companies

Daikin has formulated common worldwide rules that it shares with each overseas group company for all Daikin bases around the world to carry out compliance and risk management. Each overseas group company has created a management system for its own region based on these common worldwide rules. Each of these systems has compliance committees and Corporate Ethics Handbooks, and they conduct regular selfassessments and risk management checks. In addition, members of the legal department of Daikin Industries, Ltd. regularly visit overseas group companies and join compliance committee meetings in efforts to confirm the state of compliance and risk management and to share information.

Meetings of the legal and compliance committee on such topics as human rights initiatives, personal information protection, and anti-bribery were held online for the Americas in September 2021, for Asia and Oceania in November 2021, and for Europe in March 2022.



Americas meeting



Asia and Oceania meeting

Related information

> " Ensuring Legal Compliance in the Entire Supply Chain" (Working Closely with Suppliers) (Page 483)

Education

Focus on Educating Employees Toward Thorough Compliance

At Daikin Industries, Ltd., compliance education is conducted each year targeting all employees based on the Group Conduct Guidelines. Additionally, employees who are studying look at case studies related to legal matters in specific areas, such as sales, production, and procurement. Education is also divided by employee category, with courses for directors, new employees, newly appointed managers, compliance and risk management leaders (CRLs), and other kinds of employees.

At Daikin Industries, Ltd., employees receive a company newsletter and an email every other month, which uses familiar case studies to raise employee awareness of the importance of compliance every two months. Moreover, whenever there is an important revision to a relevant law or regulation, all employees take e-learning on the matter.

In fiscal 2021, the company newsletter covered compliance risks during the COVID-19 pandemic and points to consider when hosting a visit by former employees. Training on harassment prevention led by an attorney was carried out for CRLs.

Overseas group companies conduct compliance education based on the laws of each country and rules of the company.

Major Legal Violations in Daikin in Fiscal 2021

The Daikin Group makes it a rule to publicly announce all instances of major legal violations related to business operations.

There were no cases of major legal violations in fiscal 2020 at Daikin.

Help-Line

Help-Line for Corporate Ethics Offers Counseling and Gathers Opinions both Inside and Outside Daikin Industries, Ltd.

Daikin Industries, Ltd. has a Help-Line for Corporate Ethics both inside and outside the company, where employees can give opinions or receive consultation on all corporate ethics matters. Through the helpline, all advice sought and opinions expressed are kept strictly confidential, and reported matters are dealt with promptly and appropriately. No retribution is taken against either those persons reporting problems and seeking advice, or those persons helping investigate the reported matters. Department heads and managers also receive education on harassment in newly appointed manager training, etc. so that they can appropriately deal with the information provided during counseling with their staff.

The legal department investigates all queries and opinions to the Help-Line, and works with related company divisions to decide on measures to prevent the reoccurrence of problems. This makes for the smooth creation of measures and the solution of problems.

To ensure that the help-line is well publicized, the help-line's contact information is provided on the compliance card that all employees carry with them at all times.

Corporate Governance

FREE COMPETITION AND FAIR BUSINESS DEALINGS

Basic Policy

Ensuring thorough legal compliance and conducting fair business practices

Based on our Group Conduct Guidelines, which state that we conduct free competition and fair business dealings, Daikin conducts fair business practices.

Group Conduct Guidelines

2. Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

Specific Guidelines

- 1. Observance of the Anti-Monopoly Act
 - 1. To ensure free competition, we shall not enter into agreements with our competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anti-competitive action.
 - 2. In the case of tendered bids and quotations, we shall not enter into any agreements with our competitors to predetermine bid price or bid recipient.
 - 3. We shall not set the resale prices of Daikin products sold by dealers, nor shall we set the listed price in promotional campaigns or in retail stores.
 - 4. We shall not unfairly inhibit our dealers from selling other companies' products, nor shall we restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.
- 2. Observance of Act against Unjustifiable Premiums and Misleading Representations
 - 1. When indicating quality, performance, place of origin, terms and conditions and other matters related to our products and services, we shall use accurate and appropriate expressions to ensure that our products and services are not misrepresented to our customers.
 - 2. Any and all premiums (giveaways, discounts, etc.) given in connection with our sales transactions shall fully comply with the Act against Unjustifiable Premiums and Misleading Representations.

- 3. Strict Observance of Procurement Rules and the Subcontract Act
 - 1. When selecting suppliers, we shall widely open our door to companies worldwide to provide fair and equal business opportunities. In addition, we shall grow together with our suppliers, maintaining friendly yet tense competitive relations so that we can develop our business together with our suppliers.
 - 2. We shall promote the understanding and cooperation of our suppliers in our Group to strive together in legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.
 - 3. We shall strictly observe the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in regard to transactions with our suppliers as we follow sound business and work to protect our business partners.

Daikin Industries, Ltd. prepares annual training plans based on the needs of each division to comply with Japan's Antimonopoly Act, Act against Unjustifiable Premiums and Misleading Representations, and Subcontract Act. We assign experts such as lawyers and employees in the legal department as instructors for division-based training courses. In this way, communication with each division ensures the most effective training. At the same time, self assessments^{*} include checks that relevant laws are being obeyed.

* A unique system developed by Daikin where individual employees check their own actions pursuant to the Group Conduct Guidelines. Self assessments are conducted every year, based on which the issues of each organization are identified and compliance countermeasures taken.

Related information

- > "Education" (Compliance) (Page 418)
- > "Compliance Effort" (Compliance) (Page 416)
- > Philosophy on Suppliers (Page 454)

Corporate Governance PROHIBITING BRIBERY AND CORRUPTION

Basic Policy and Management Structure

With the progress of a global economy, demand for anti-corruption is increasing while regulations are being tightened not only domestically but also in international business. Daikin has established its policy on "Free Competition and Fair Trading," "Practicing Moderation in Entertainment and Gift Exchanges," and "Maintaining a Firm Attitude against Anti-social Activities" in its Group Conduct Guidelines. The legal department spearheads the prevention of corruption and bribery under the supervision of the Executive Officer in charge of Corporate Ethics and Compliance.

At each division and our principal Group companies in Japan and abroad, we confirm compliance with internal rules and guidelines using self assessments^{*}. Based on the results, each company plans and implements their own countermeasures.

Each company reports and shares the status of these initiatives with the Corporate Ethics and Risk Management Committee, with the results reported to the Internal Control Committee chaired by the President and CEO. Furthermore, the Company's risk response is reported to the Board of Directors.

* A unique system developed by Daikin where individual employees check their own actions pursuant to the Group Conduct Guidelines. Self assessments are conducted every year, based on which the issues of each organization are identified and compliance countermeasures taken.

Group Conduct Guidelines

2.Free Competition and Fair Trading

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

Specific Guidelines

- 1. Observance of the Anti-Monopoly Act
 - 1. To ensure free competition, we shall not enter into agreements with our competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anti-competitive action.
 - 2. In the case of tendered bids and quotations, we shall not enter into any agreements with our competitors to predetermine bid price or bid recipient.
 - 3. We shall not set the resale prices of Daikin products sold by dealers, nor shall we set the listed price in promotional campaigns or in retail stores.
 - 4. We shall not unfairly inhibit our dealers from selling other companies' products, nor shall we restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.
- 2. Observance of Act against Unjustifiable Premiums and Misleading Representations
 - 1. When indicating quality, performance, place or origin, terms and conditions and other matters related to our products and services, we shall use accurate and appropriate expressions to ensure that our products and services are not misrepresented to our customers.
 - 2. Any and all premiums (giveaways, discounts, etc.) given in connection with our sales transactions shall fully comply with the Act against Unjustifiable Premiums and Misleading Representations.
- 3. Strict Observance of Procurement Rules and the Subcontract Act
 - 1. When selecting suppliers, we shall widely open our door to companies worldwide to provide fair and equal business opportunities. In addition, we shall grow together with our suppliers, maintaining friendly yet tense competitive relations so that we can develop our business together with our suppliers.
 - 2. We shall promote the understanding and cooperation of our suppliers in our Group to strive together in legal compliance, respect for human rights, preservation of the environment, and contribution to the development of a sustainable society.
 - 3. We shall strictly observe the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) in regard to transactions with our suppliers as we follow sound business and work to protect our business partners.

13. Practicing Moderation in Entertainment and Gift Exchanges

We shall exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment, the exchange of presents, and invitations relating to the development of our global business. In particular, we shall not entertain, provide gifts of monetary value to, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each respective country and region.

Specific Guidelines

- 1. Maintaining sound and transparent relationships with government and municipal offices
 - 1. We shall not provide entertainment, the exchange of presents, or invitations to any public servants in government offices in accordance to such laws as the National Public Service Ethics Act.
 - 2. In the expansion of global business, we shall not provide entertainment, the exchange of presents, or invitations to any public servants in overseas government offices that are prohibited by national or regional laws and regulations.
- 2. Practicing moderation in entertainment and gift exchanges with business partners In regard to entertainment, the exchange of gifts, and invitations for customers or business partners, we shall comply with the laws and regulations relating to each country and region and seek moderation appropriate to the standards of society in maintaining sound business practices.

14. Maintaining a Firm Attitude against Anti-social Activities

We shall take a firm attitude against anti-social force or organization that threatens the safety and order of the citizens of society.

Specific Guidelines

1. Prohibiting the giving of material benefits to any person regarding the exercise of shareholders'rights

We shall not give material benefits to any person regarding the exercise of shareholder's rights.

- 2. Prohibiting dealings with anti-social forces and organizations
 - 1. We shall have no dealings that serve as supporting or providing illegal profit to any anti-social forces or organizations.
 - 2. We shall not enlist the support of anti-social forces or organizations in pursuit of business activities.
- 3. Instituting zero tolerance of anti-social forces and organizations
 - 1. We shall not meet any unjustified or unreasonable demands of any criminal groups or organizations.
 - 2. If contacted by an anti-social force or organization, we shall handle the matter on an organizational basis, not an individual basis. Moreover, we shall regularly work to build a specific link between law enforcement officers and outside specialists such as lawyers, and in the case of an emergency we shall take appropriate measures through both civil and criminal legal channels in cooperation with outside specialists.

Thoroughly Implementing Compliance Guidelines for Preventing Bribery of Public Officials, Etc.

We created our Compliance Guidelines for Preventing Bribery of Public Officials, Etc., which give detailed directives related to entertaining, gift exchanges, and invitations for government officials. These guidelines are being strictly implemented throughout the Daikin Group. These guidelines are always applied to companies that newly join the Daikin Group through M&A in an effort to prevent wrongdoing with regards to the guidelines Groupwide.

The guidelines stipulate policies in areas such as entertainment, gift exchanges, and invitations for public officials, and outsourcing to third parties. The goal is to have standards and approval processes regarding dining and other interactions with public officials and others. The guidelines are also for preventing the dispersion of profit indirectly to public officials and others via third parties such as by hiring dealers, agents, or consultants. To this end, third party business partners are selected through a strict screening and are required to sign a contract covering anticorruption. When there are questions regarding interpretation and application of laws, we have a consultation hotline in the legal department, which we constantly encourage concerned parties to make use of.

We confirm compliance with the guidelines by conducting self assessments*. Any compliance problems found and their countermeasures are shared by reporting them to the Corporate Ethics and Risk Management Committee.

Educational Activities

Daikin holds training for managers and employees so that each and every one is knowledgeable and thoroughly aware of compliance with laws and company regulations. The training is conducted to ensure that employees obey rules on sound and transparent relations with government offices, are compliant with the Political Funds Control Law and the Public Offices Election Act, and conduct entertainment and gift exchanges with business partners in moderation. Since the Compliance Guidelines for Preventing Bribery of Public Officials, Etc. were introduced, we have striven to ensure they are familiar to all employees by holding briefings for each division and group company around the world and providing e-learning for all employees of Daikin Industries, Ltd.

For employees of divisions and group companies in frequent contact with public officials, members of our legal department visit and lead periodic educational sessions.

Monitoring

Since formulating the Compliance Guidelines for Preventing Bribery of Public Officials, Etc., we have carried out audits in divisions and group companies that do business in countries and regions where corruption is prevalent to ensure that bribes are not occurring. Guideline-related issues discovered during the audits are dealt with by creating solutions in collaboration with relevant divisions and groups, and these are reported to the Board of Directors and the Internal Control Committee. In addition, issues and successful countermeasures are shared via the Corporate Ethics and Risk Management Committee and Global Legal and Compliance Meetings attended by compliance and risk management leaders in each worldwide region.

Related information

- > "Compliance Efforts" (Compliance) (Page 416)
- > Working Closely with Suppliers (Ensuring Legal Compliance in the Entire Supply Chain) (Page 483)

Help-Line System

Daikin Industries, Ltd. has a Help-Line for Corporate Ethics, through which employees can give opinions or receive consultation on all corporate ethics matters, including bribe-related issues. In fiscal 2021, there were no incidents involving bribe-related violations or sanctions.

Related information

> "Help-Line" (Compliance) (Page 419)

Corporate Governance

INFORMATION SECURITY

Basic Policy on Information Security

Proper Management and Use of All Confidential Information Including That of Other Companies

Daikin's Group Conduct Guidelines state that we manage and use confidential information appropriately. We also established the Information Security Basic Policy. Daikin stipulates that information leaks from internal information systems, Daikin products and services, and plant equipment systems constitute a major company-wide risk. Therefore, information security leaders in each division lead efforts in making Basic Regulations of Information Security and Common Security Guidelines. We also strictly manage confidential information we are holding that is the property of other companies.

And with the increasingly widespread problems of companies losing information over the Internet, we are striving to raise the awareness of employee regarding managing their information; for example, we have strict company policy regarding use of social media.

In fiscal 2021, there were no incidents involving the inappropriate management of information or information leakages.

Group Conduct Guidelines

5. Proper Management and Utilization of Information

We shall properly manage and effectively utilize the confidential information of our company, the confidential information obtained from other companies, and the personal information of our customers and employees and shall not obtain any information through improper means. We shall thoroughly execute IT security management for our computer systems and the data-resources saved on them.

Information Security Basic Policy

The Daikin Group recognizes that one of our most important management issues is to deliver safe and highly reliable products and services and protect our information assets as well as customers' information assets in our possession from various types of threats by addressing information security risks which increase on a daily basis. To deal with these issues, we establish the Group basic information security policy and unite as the Daikin Group to further reinforce information security.

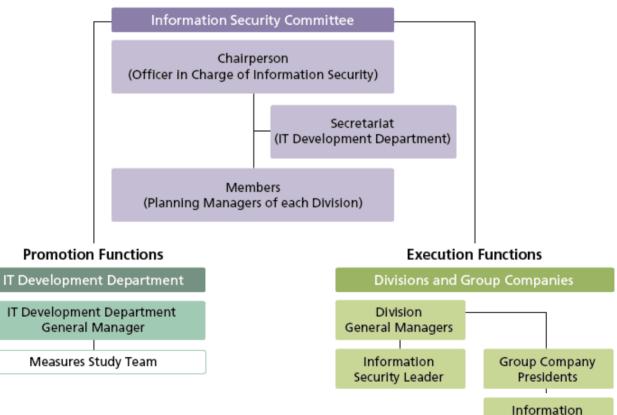
- 1. Our Group complies with rules and regulations, national guidelines, and other social standards in connection with information security.
- 2. Our Group establishes and complies with internal rules related to information security based on the basic information security policies.
- 3. Our Group implements appropriate security measures from personnel, organizational, and technological perspectives to protect and manage information.
- 4. Our Group provides continuous education and awareness programs for information security to all employees.
- 5. Our Group properly collects information and quickly reports to top management in the event that a security problem occurs on information assets. In addition, we rapidly investigate the cause and strive to minimize the damage and prevent recurrence.
- 6. Our Group inspects the information security management system and its initiatives and continuously reviews and improves them.

Information Security Management System

Daikin's Information Security Committee is a deliberation body chaired by the officer in charge of information security. This committee discusses revisions to group-wide information security strategy, policy measures, and common rules (regulations and guidelines). It operates under the Corporate Ethics and Risk Management Committee, to which it reports important information security matters, as well as notifications that must be sent to all employees and strictly followed. Matters decided on by the Corporate Ethics and Risk Management Committee are reported to the Internal Control Committee, chaired by the President, as well as to the Board of Directors. The officer in charge of information security also chairs the Corporate Ethics and Risk Management Committee.

At overseas group companies, the results of information security inspections are used to prioritize bases most susceptible to major risk. At such bases, information security leaders are appointed and in-house rules are formulated in order to strengthen the management system.

Information Security Management System



Deliberation Functions

Security Leader

Thorough Information Security

Daikin Industries, Ltd. has put into place a system for reporting and addressing information security incidents to prevent them from occurring and to minimize damages should one occur. Employees who discover an incident or situation that could lead to a security threat are required to report to the information security leader of their department and then follow his/her instructions. Information security leaders in turn report to the IT Development Department, which serves as the secretariat of the Information Security Committee, following the incident response standards. The IT Development Department spearheads efforts to investigate the cause and prevent the recurrence of these incidents.

Information Security Education

Daikin Industries, Ltd. strives to raise information security awareness among all members through training for officers, managers, and employees. General employees took courses on in-house rules in which they conducted self-assessments^{*}. There were also articles in Daikin's in-house magazine aimed at raising security awareness. In addition to training and other educational sessions, once a year we send employees training emails that give them practice in dealing with malicious targeted email attacks.

In fiscal 2021, we held a training session on information security management for information security leaders. This training was led by an outside instructor and focused on case studies of security incidents at other companies and recent trends in security attacks.

* Daikin's proprietary system for checking the conduct of each and every employee pursuant to the Group Conduct Guidelines. Implemented annually, these checks identify issues within organizations that lead to compliance countermeasures.

Information Security Inspections and Results

Daikin Industries, Ltd. holds self-checks that include Daikin's proprietary self-assessment system and information security matters.

Every year, we conduct tests of incident response procedures to check the workflow of incident response and the established scenarios. These tests reveal deficiencies and issues, which help us to strengthen countermeasures. Also, we check the status of countermeasures against information leaks following the Ministry of Economy, Trade and Industry's Management Guidelines for Trade Secrets.

In fiscal 2021, in addition to self-assessments, we conducted interviews of all group companies to inspect the status of security rules establishment and compliance as well as IT system countermeasures.

We hire outside experts to diagnose the vulnerability of our servers and web applications inside and outside of Japan considered to have a high degree of information security risk. Based on the results, we implement countermeasures such as upgrading the version of servers or revising web applications.

As a result of audits and inspections, problems that have come to light and their countermeasures are reported to the Information Security Committee. As for major issues and matters that all employees must be notified of and strictly follow, these are reported to the Corporate Ethics and Risk Management Committee, the Internal Control Committee, and the Board of Directors.

Related information

- > Self Assessment System (Compliance) (Page 416)
- > Measures to Deal with Information Leak (Risk Management) (Page 413)
- > Personal Information Protection (Protecting Customer Information) (Page 315)
- "Response to Personal Data Regulations (Dealing with Human Rights Risks)" (Respect for Human Rights) (Page 448)

RESPECT FOR INTELLECTUAL PROPERTY RIGHTS

Basic Policy

Acquire Intellectual Property Rights While Respecting That of Other Companies as Well

Daikin understands that intellectual property rights constitute a valuable company asset. We thus strive to both protect these rights and use them effectively. Our Group Conduct Guidelines state that we will respect other companies' intellectual property rights and ensure that our inventions do not infringe on these rights.

Group Conduct Guidelines

4. Respect and Protection of Intellectual Property Rights

Recognizing that intellectual property rights are important company assets, we shall strive to protect and maintain our intellectual property rights and effectively utilize them. Furthermore, we shall respect and make every effort not to infringe upon the intellectual property rights of other companies.

Specific Guidelines

- 1. Acquiring, protecting, and utilizing intellectual property rights
 - 1. Recognizing that intellectual property is an important company asset and a strength of the Daikin Group, we shall properly maintain, manage, and protect our intellectual property rights while utilizing them effectively.
 - 2. Being conscious that our company products and technology are globally developed, we shall actively acquire intellectual property rights worldwide, such as patents that are results of advanced, creative research and development, and endeavor to protect our intellectual property rights through the entire global Group.
 - 3. We shall assemble information concerning intellectual property rights generated from all Group companies, including overseas companies, as we strive to fully understand and utilize intellectual property rights management as a Group.
 - 4. We shall appropriately execute our rights in regards to infringement by third parties.

- 2. Respecting the intellectual property rights of other companies
 - 1. When developing new products and technology, we shall confirm from a global standpoint that we are not infringing on the intellectual property rights of others.
 - 2. In the legal licensing of intellectual property rights from other companies, we shall observe the scope of use specified in the contract when using those property rights and refrain from actions such as the unauthorized copying of software.
- Prohibiting the copying of other companies' products
 In the interests of fair competition, we shall not imitate the products of any other companies during
 the development, manufacture, or sale of our products.

Based on the Group Conduct Guidelines, we formulated more detailed points in our Compliance Action Guidelines, which state that we will acquire patents and avoid infringement by having the person in charge of R&D at Daikin be the person responsible for a patent and having the researcher/developer understand that he/she is the sole developer of the product or invention.

In new product and new technology development, part of the design review process involves verifying that these products and technologies do not infringe on existing patents. In collaborations with other companies, we distinguish between open technologies and confidential technologies, and confidential technologies are designated as such and kept out of reach.

System for Protection of Intellectual Property

Intellectual Property Manager in Research Department

To actively support researchers/developers, the legal department assigns an intellectual property manager in each division.

The intellectual property managers keep in contact with each other, and manage the variety of intellectual property matters that come up daily (filing/acquisition of rights, reduction of risk of infringement upon and infringement by other companies, etc.). They also educate employees at various levels on intellectual property and reward Daikin patent awardees. To ensure strategic implementation of intellectual property activities, they strengthen patent networks with researchers/developers and global intellectual property survey functions.

We will continue to strive to better manage our intellectual property rights by acquiring and using a greater number of patents and higher quality patents.

Strengthening the Intellectual Property Rights System in Line with Globalization of Business and R&D Bases

We are also strengthening our intellectual property rights systems at our overseas R&D bases. At Daikin Industries, Ltd. and at overseas group R&D bases, starting with those of our Group companies in China, we are striving to obtain various intellectual property rights. We also continue to offer classroom and e-learning, and on-the-job training for intellectual property managers and developers at overseas R&D bases.

China has overtaken the U.S. as the country with the most patent applications. It also has more intellectual property court cases than the U.S. Daikin is actively acquiring intellectual property rights in China, and is stepping up applications for patents, utility models, devices, and trademarks. In emerging countries like India and Brazil, and in emerging countries in southeast Asia, we are stepping up device applications as a way to effectively prevent product copying and boost patent applications.

In fiscal 2021, we again shared Daikin's intellectual property policy upon launch of the Fusion 25 Strategic Management Plan and stepped up efforts to consolidate information from business sites. We held the Global Intellectual Property Meeting online largely divided into three regions.

Looking ahead, we will continue to strengthen our collaborative system holding meetings with each region as needed.

Encouraging Employees to Create Intellectual Property

Two Systems Stimulate Creation of Intellectual Property

Daikin Industries, Ltd. has two systems for stimulating employees' motivation to invent and for spurring the creation of intellectual property.

The first is the Compensation System for Employee Inventions, a system in which Daikin pays employees for inventions created on the job that result in patent applications as well as successful uses of the patent. In fiscal 2021, in addition to paying compensation for patent applications, Daikin compensated employees for 539 successful uses of patents.

The second is the Incentive System for Valuable Patents, which gives employees incentive bonuses for valuable patents. In fiscal 2021, we awarded incentive bonuses to the creators of 97 patents.

While these systems are aimed at stepping up Daikin's intellectual creativity, they also represent an effort to promptly tackle pressing issues, such as increasing the quality and quantity of patents in competitive fields, and increasing the number of patents in our key technological fields, in particular in emerging countries. In fiscal 2020, we applied for 1,045 patents in Japan and 587 patents overseas.

In fiscal 2021, in the air conditioning divisions, the number of patent applications increased; this covered everything from development of new products that we intend to release, to near-future products that make use of AI and IoT technologies. In the chemicals divisions, we increased the number of patent applications by clarifying and implementing strategies in each product and technology area.

We will also continue to conduct thorough advance patent surveys so that we can deal with problem patents early on and thus ensure that we eliminate patents that could hinder our development. We will also step up patent efforts worldwide.



Awarding incentive bonuses to inventor group representatives

Scientific Technology Transfer

Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant

To encourage the worldwide adoption of R-32, which has a low global warming potential (GWP) compared to conventional refrigerants, in September 2011 Daikin began offering companies in emerging countries 93 patents related to the manufacture and sales of air conditioners that use R-32 free of charge. In September 2015, these patents were offered to companies worldwide, including developed countries.

In July 2019, we announced our non-assertion pledge describing the grant of free access to our pledged patents, all 176 of which have been filed in 2011 and later, for the manufacture and sale of air conditioners using R-32 single-component refrigerant. Free access to the pledged patents without our prior permission or without a contract in writing enabled other companies to make use of these patents quicker and easier, which represents a step forward in promoting the use of R-32.

In July 2021, we newly added 123 patents to this pledge for use of our patents without prior permission related to the manufacture and sale of air conditioners using single-component refrigerant R-32. In July 2022, we added another 120 patents, including 30 jointly held with Daikin Europe N.V., our European subsidiary.

Today, we have made a total of 419 patents accessible to any party without fee and the need for prior permission or contract.

Related information

- > Low Environmental Impact Refrigerants (Page 175)
- ➤ Press release: Daikin Offers Worldwide Free Access to Patents for Equipment Using Next-Generation Refrigerant + (131KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/press_20150910-pdf.pdf)

> Press release: Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 107KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/press_20190701-pdf.pdf)

- Press release: Daikin Expands Patent Non-Assertion Pledge for Equipment Using Low GWP Refrigerant HFC-32 1 (166KB) (published July 1, 2021) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/press_20210701-pdf.pdf)
- Press release: Daikin Expands Patent Non-Assertion Pledge for Air Conditioners Using Low GWP Refrigerant HFC-32 1 (149KB) (published July 1, 2022) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/press_20220701_2-pdf.pdf)
- Feature of Fiscal 2015: Environment—Creating a New Market that Contributes to the Mitigation of Global Warming 1 (2.0MB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/feature-past/feature2015-environment-pdf.pdf)

Corporate Governance

TAX COMPLIANCE

Basic Policy and Implementation System

Daikin is working to improve tax transparency pursuant to Proper Handling of Accounting Procedures set forth in the Daikin's Group Conduct Guidelines. Based on these guidelines, we clarify our basic approach toward tax compliance and ensure thorough tax compliance. Tax related risks are overseen by the officer in charge of accounting and finance and reported to the board of directors. In case of uncertainty over the application or interpretation of tax laws, we respond appropriately after seeking out the advice of external professionals.

Group Conduct Guidelines

12. Proper Handling of Accounting Procedures

We shall comply with all accounting standards and tax laws of each country and region as well as internal company rules in properly performing accounting procedures.

Specific Guidelines

- 1. Paying expenses properly
- 2. Ensuring appropriate accounting

We shall observe appropriate accounting standards based on the generally accepted accounting principles in order to ensure the accuracy of our accounting and financial data. Likewise, we shall build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

- 3. Observance of tax laws
 - 1. We shall pay taxes in accordance with relevant tax laws.
 - 2. For cross border transactions, including those transactions involving companies of the global Group, we shall carefully check the tax laws of the relevant country as well as those tax laws in Japan.

Basic Policy on Tax Compliance

1. Approach to Risk Management and Governance Arrangements in relation to Taxation

At Daikin, we consider the payment of tax to be a critical element of our corporate social responsibilities (CSR).

We believe that our tax payments play an important role in the development of the countries and regions in which we operate, which in turn results in the sustainable development and corporate value enhancement of the Daikin Group.

Recognizing that tax related risk is an important element among the many business risks facing the Daikin Group, we address tax related risks in accordance with our Group's risk management principles.

2. Tax Compliance

We are committed to full compliance with the applicable laws and regulations in each of the jurisdictions in which the Daikin Group operates. We also respect not only the letter but the spirit of the law.

3. Prohibition of Tax Avoidance and Attitude toward Tax Planning

Daikin does not undertake tax planning that lacks commercial substance, or which involves artificial or aggressive transactions or structures undertaken solely for tax reasons. All intercompany transactions within the Group are conducted on an arm's length basis as described in the OECD Transfer Pricing Guidelines, and consistent with local laws and regulations.

4. Level of Tax Risk Accepted

External advice may be sought if issues are significantly uncertain or complex. To mitigate risks, including the risk of double taxation, we routinely consider effective measures to increase certainty in our positions, such as Advance Pricing Arrangements ("APA") and Mutual Agreement Procedures ("MAP") for transfer pricing.

5. Approach to Dealing with Tax Authorities - Trust and Transparency

We strive to act in good faith and maintain an open, constructive and cooperative relationship with tax authorities. Through the approach described above, we aim to achieve a robust and predictable tax position.

We demonstrate our commitment to transparency by disclosing information required under applicable laws and regulations, when requested by taxation authorities.

Tax Payment History

We disclose the amount of the Group's corporate income tax liability, including the differences from the statutory effective tax rate in our Securities Report and Integrated Report.

Related information

- > Securities Report (available in Japanese only) (https://www.daikin.co.jp/investor/library/securities/)
- > Integrated Report (https://www.daikin.com/investor/library/annual/)



Sustainability Report



Respect for Human Rights

Respect for Human Rights 443

Foundational Themes Respect for Human Rights

Policy

Based on the laws and regulations of each country and region, we respect basic human rights in accordance with international norms

Why is it important?

In recent years, a number of human rights issues have emerged in business, including child labor or forced labor at suppliers and the leakage of personal information of customers and employees. For this reason, there is growing interest among the international community in how business activities affect human rights. Business activities that respect human rights represent one vital element of a company's social responsibilities.

Daikin's Approach

Daikin has established a human rights policy that requires respect for fundamental human rights across its entire value chain based on an understanding of all international norms on human rights along with the laws and regulations of each country and region.

The Group Conduct Guidelines set forth provisions on respect for diverse values and views on work and provisions that prohibit discrimination based on race, ethnicity, and gender, along with ban child labor and forced labor.



In countries and regions where we conduct business activities, we respect the human rights of all our stakeholders.

Related information

- Daikin Group Human Rights Policy 190KB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/humanrights_policy-pdf.pdf)
- > Participation in the Global Compact (Page 65)
- > "Group Conduct Guidelines" (CSR Philosophy) (Page 71)

Respect for Human Rights RESPECT FOR HUMAN RIGHTS

Basic Policy

Established Daikin Group Human Rights Policy to promote initiatives that respect human rights

In recent years, a number of human rights issues have emerged in business, including child labor or forced labor at suppliers and the leakage of personal information of customers and employees. For this reason, there is growing interest among the international community in how business activities affect human rights. Business activities that respect human rights represent one vital element of a company's social responsibilities. Daikin is undertaking initiatives that promote respect for human rights across its entire value chain. We have established Daikin Group Human Rights Policy based on an understanding of all international norms on human rights along with the laws and regulations of each country and region. Also, the Group Conduct Guidelines clearly stipulate the actions that must be taken by officers and employees in terms of respect for human rights.

Furthermore, Daikin endorses and participates in the United Nations Global Compact, which supports companies in abiding by universal principals on human rights and labor.

Daikin Group Human Rights Policy 190KB)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/pdf/humanrights_policy-pdf.pdf)

Group Conduct Guidelines

10. Respect for Human Rights and Diversity and Observance of Labor Laws

We shall respect the human rights of each and every employee and shall not engage in conduct that discriminates on the basis of nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Diversity in individual values is enthusiastically accepted, and we shall work to make the unique talents and abilities of each and every person the driving force of the organization. We shall also observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances shall we sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

Related information

- > "Group Conduct Guidelines" (CSR Philosophy) (Page 71)
- > Participation in the Global Compact (Page 65)

Managing Human Rights Matters and Assessing Impact

Identifying and Reducing Human Rights Risks

Daikin identifies human rights issues in its business, assesses risk throughout the value chain, and lists risks that should be prioritized. In our operational risk management system, we identify human rights risks and create countermeasures.

Self-assessments are performed annually to check the status of compliance with the Group Conduct Guidelines. Since respect for human rights is one of the criteria of the self-assessments, they confirm how well Daikin is respecting the rights of individuals, and we implement necessary countermeasures.

The results of self-assessments, as well as issues that come up and proposals for their solution, are reported to the Corporate Ethics and Risk Management Committee, or regional compliance committee meetings, thus ensuring this information is shared throughout the Daikin Group in an effort to mitigate the risks.

In fiscal 2021, discussions were held between Compliance and Risk Management Leaders and related divisions to identify human rights risks at the Group as part of our broader efforts on human rights.



Americas compliance committee meeting

Human Rights Risks in the Daikin Group Value Chain and Relation to Major Stakeholders

Types of human rights risks	Details of risks	Related stakeholders
Occupational safety and health	• Eroding safety or health due to work accidents or poor working environment	Employees Suppliers
	 Noise, vibration, fires, etc. at bases 	Employees Suppliers Community members
	Child labor, forced labor	Employees Suppliers
Products and services	Harm to customers' life and health because of faulty products or services	Customers
	 Wrongful use or abuse—unforeseen by the company—of products or technologies 	Customers
Discrimination	 Lack of concern for people because of their gender, or because they are members of indigenous groups, ethnic monitories, LGBT, immigrant laborers, etc. (inappropriate language, advertising expressions, etc.) 	Customers Employees Suppliers Community members
Communities	 Air and water pollution, misuse of natural resources 	Employees Suppliers Community members
	 Procurement of conflict minerals associated with inhumane acts 	Community members

Types of human rights risks	Details of risks	Related stakeholders
Societies and government	 Procurement of conflict minerals mined under inhumane conditions 	Suppliers
	Leakage of personal information	Customers Suppliers Employees
	 Violation of human rights-related laws 	Customers Suppliers Community members Employees

Related information

> Philosophy on Suppliers (Page 454)

Dealing with Human Rights Risks

Respecting Human Rights in the Supply Chain

In terms of the supply chain, Daikin's Supply Chain CSR Promotion Guidelines contain provisions on respect for human rights, including barring of discrimination due to race or gender and elimination of child and forced labor. Our suppliers inside and outside of Japan are urged to carefully abide by these guidelines.

Beginning in fiscal 2018, we conducted CSR questionnaires, which include items regarding respect for human rights, on 626 major suppliers in Japan. From fiscal 2019, we conducted these same questionnaires on 1,444 suppliers outside of Japan as well. In this manner, we are working to increase the level of CSR awareness at our suppliers.

In addition, we take part in subcommittees on supply chains and human rights education of the Global Compact Network Japan, the local body of the UN Global Compact. These subcommittees are made up of UN Global Compact member companies and organizations.

In fiscal 2021, we worked to elevate our own initiatives through attending presentations by experts and learning about initiatives on respect for human rights in the supply chain based on the CSR procurement efforts of other companies.

Related information

> "CSR Procurement" (Philosophy on Suppliers) (Page 458)

Response to Personal Data Regulations

Daikin has its own Group guidelines for the protection of personal information that it strictly enforces. These guidelines are the basis for promotion systems and rule systems of each Daikin Group company. In addition, we have formulated rules regarding the handling of personal data in the EU. These rules cover the requirements under the General Data Protection Regulation (GDPR), a regulation on the personal data of EU citizens. The Daikin rules cover protection measures for when personal data is taken out of the EU, the recording and control of how personal data is handled, and measures to ensure safe management of personal information. We have also set up a hotline for inquiries from residents of the EU. Every employee in the Daikin Group is familiarized with these rules.

In fiscal 2021, we worked with our subsidiaries in Europe to ensure compliance with the stricter regulations for transfers of personal data from the EU following the Schrems II ruling^{*} of the Court of Justice of the European Union. Additionally, we set up working groups involving Group companies to ensure compliance with China's Personal Information Protection Law (implemented in November 2021), Japan's revised Act on the Protection of Personal Information (implemented in April 2022), and Thailand's Personal Data Protection Act (implemented in June 2022).

* Court case on data transfers from the EU to the US

Response to the U.K.'s Modern Slavery Act

Our Group companies in the U.K. have released the following statement based on the Modern Slavery Act 2015, which was instituted by the U.K.

Statement

- > Daikin Airconditioning U.K., Ltd. 🗖 (https://www.daikin.co.uk/en_gb/about.html)
- > J&E Hall International 📮 (http://www.jehall.com/terms-and-conditions)
- > AAF Ltd. 🗖 (https://www.aafintl.com/en-gb/power-and-industrial/about-us/modern-slavery-statement)

Human Rights Education

Raising Human Rights Awareness through Periodic Education Sessions and Assessments

Daikin strives to raise awareness of human rights among officers and employees through periodic education sessions and assessments.

Through annual self-assessments to confirm how well the Group Conduct Guidelines are being followed, employees assess themselves and thus contribute to their improved understanding of the guidelines. Human rights education for each level of employees helps them improve their human rights awareness.

At Daikin Industries, Ltd. training is held every year for all officers, new employees including those at affiliates, and newly appointed managers. In fiscal 2021, we conducted training for officers led by an outside expert on the theme of *Corporations and Human Rights-- Requirements of Multinational Corporations*. In addition, we implemented e-learning on the prevention of harassment among all employees to enhance awareness.



Human rights training

Related information

- > Workplace Diversity (Page 335)
- > Working Closely with Suppliers (Page 483)

Whistle-blower System

At Daikin Industries, Ltd., employees can contact the internal or external Help-Line for Corporate Ethics to get advice and give opinions on all matters of corporate ethics including human rights, workplace bullying, and sexual harassment.

Related information

> "Help-line" (Compliance) (Page 419)



Sustainability Report

2022 -Web version-(As of November 2022)

Supply Chain Management

Philosophy on Suppliers454Working Closely with Suppliers483

Green Procurement Guidelines 491

Foundational Themes Supply Chain Management



Policy

Fulfill our social responsibility through environmental impact reduction, quality assurance, and occupational safety and health throughout the entire supply chain

Why is it important?

Today, supply chains stretch around the world, which has given rise to such problems as human rights issues, labor issues, and environmental destruction. There is also a growing tendency to attempt to solve social issues by boycotting or taking other measures against companies with such problems in their supply chains. Companies need to step up CSR initiatives not only for their own company but encompassing their entire supply chain.

Daikin's Approach

Daikin established its Purchasing Policy in 1992 and strives to engage in fair transactions with its business partners. We recognize the scope of our social responsibilities encompass not only our Group, but also the entire supply chain. As such, we established the Supply Chain CSR Promotion Guidelines and we are promoting CSR initiatives in the supply chain that cover the environment, quality, occupational safety and human rights.



purchasing.

technological capability

countermeasures.

improvements and safety

throughout the supply chain.

Related information

- > Green Procurement (Page 153)
- Feature of Fiscal 2021: Supply Chain Management—Establishing a More Flexible and Resilient Supply Chain (Page 636)

Supply Chain Management

PHILOSOPHY ON SUPPLIERS

Basic Policy

Dealings Based on Our Purchasing Policy

Daikin formulated a Purchasing Policy in 1992 that is the basis for fair dealings with suppliers.

Purchasing Philosophy and Purchasing Policy

Purchasing Philosophy:

"Respect Independence" and "Cooperation and Competition"

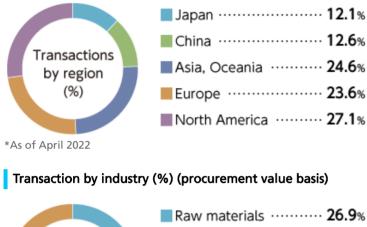
Purchasing Policy:

- Fair relations based on an open door policy Provide open, equal, and fair opportunities for all companies, regardless of their locality, size, and sales results.
- Mutual growth through mutual trust Create open conditions for business dealings and respect free competition.
- Look for good partners
 In procuring from overseas, look for companies to share common profit and offer useful products to society.
- Observe laws, and maintain confidentiality Observe laws on business dealings and respect the spirit of these laws.

Responsible procurement

Daikin is working with suppliers worldwide in ensuring responsible procurement in order to fulfill its social responsibility across the entire supply chain. We consider our suppliers for raw materials and parts as important partners, with whom we are promoting relationships of trust through open, equal, and fair trade. At the same time, Daikin promotes CSR procurement with consideration for the environment, quality, occupational safety, and human rights within its supply chain including our suppliers in order to earn society's trust as a global company.

Transactions by region (%) (procurement value basis)





Management System

Giving All Suppliers an Equal Opportunity through an Open Door Policy

Daikin has an open door policy on choosing suppliers in which we welcome bids from any company, regardless of nationality, size, or transaction results.

In our air conditioning divisions, information on product specifications, quality and target cost, and delivery times is posted on our website in order to achieve equality of opportunity. All companies satisfying our criteria become eligible to do business with us.

In our chemicals divisions as well, we do business with any supplier meeting our criteria for specifications, quality, price, and delivery time.

Participation in the UN Global Compact

Since October 2008, Daikin Industries, Ltd. has been an official member of the UN Global Compact, an initiative of the United Nations. It is also a member of the local body Global Compact Network Japan. We take part in the subcommittee on supply chains, a subcommittee comprising representatives of member companies and organizations. Subcommittee members meet to discuss and exchange information on CSR efforts in the supply chain, and to collaborate and cooperate in order to advance these efforts and thus strengthen supply chain management.

Related information

> Participation in the Global Compact (Page 65)

Evaluation of Supplier

Conducting Regular Evaluations of Suppliers

Before starting business dealings with Daikin, we ensure potential partners understand our Purchasing Policy, and we assess them on consistent standards. After business dealings begin, we conduct regular re-assessments based on ISO 9001, investigate compliance with our CSR Promotion Guidelines, and then review the business relationship accordingly.

In the air conditioning divisions, to ascertain the ability of suppliers to address ESG related risks, we investigate their compliance with the CSR Promotion Guidelines, which represent standards used globally by the Group, and determine whether the business relationship with suppliers can be continued. Before we start transactions with new suppliers, we use the Supplier Assessment Standard Sheet, which takes region-specific risks into account, to judge companies based on five criteria of administration, quality, price, delivery, and environmental measures. Suppliers are re-assessed every year at our business sites globally based on our Assessment System for Continuation of Business. We use the same standards globally to evaluate environmental aspects.

Companies that do not meet our assessment standards or companies that pose a high risk are required to make improvement plans that we assist them in implementing.

In the chemicals divisions, we assess new and existing suppliers based on ISO 9001 from the perspective of five criteria: management control, safety control, quality control, environmental control, and production control. We also strive to ascertain the status of suppliers' CSR initiatives. After starting business relationships, we strive to fairly assess suppliers from multiple perspectives, having numerous Daikin representatives negotiate with them and making regular visits to their companies.

CSR Procurement

Rolling Out Supply Chain CSR Promotion Guidelines

Daikin established "build a robust and resilient supply chain that minimizes risks" as the company's sustainability indicator and target for 2025, as an initiative for the sustainable development of business together with suppliers that runs alongside 'look for good partners' pursuant to our Purchasing Policy. This target proclaims that we will conduct socially responsible procurement as we tackle issues like the environment, human rights, and labor throughout the supply chain.

In April 2017, Daikin formulated its Supply Chain CSR Promotion Guidelines. These guidelines aim to further CSR at suppliers and other partners through stable and ongoing growth. In addition to standard requirements such as proper management and abidance with laws and regulations, the guidelines urge suppliers to strive to be better in every aspect of CSR, such as improving performance in the environment, quality, occupational safety, and human rights, and abstaining from dealing with companies in war-torn regions, targeting a compliance rate of 100% with the above among both domestic and overseas suppliers. Training based on these guidelines is held internally and at suppliers.

Furthermore, we promote our suppliers to educate and train their workers periodically, disclose information regarding their activities and progress properly on their website or other tools, and have continuous dialogue with their stakeholders.

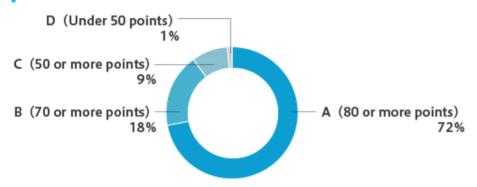
We have conducted CSR questionnaires among the top 80% suppliers by procurement value in Japan and overseas for monitoring compliance with these guidelines and provide the results of questionnaires to suppliers as feedback. In addition, we evaluate suppliers by classifying their CSR initiatives according to our own standards and then recommend improvements or provide guidance to suppliers, in order to improve the quality of their CSR initiatives. These classes are A, for suppliers with excellent CSR initiatives, B, for suppliers currently implementing CSR initiatives, C, for suppliers with certain challenges in terms of CSR initiative themes, and D, for suppliers who do not implement CSR initiatives and face many challenges. In fiscal 2021, we conducted the questionnaire after reviewing items concerning human rights given the growing interest in the topic in recent years. The percentage of suppliers with an class A, the highest level of CSR initiatives, was 72% in fiscal 2021. We will make efforts going forward to increase the percentage of class A suppliers to 100%.



Targets and Results

Quantitative target	Targets	Progress			Target
		FY2019	FY2020	FY2021	year
Percentage of requests made to suppliers to implement initiatives based on the Guidelines	Request all suppliers to carry out CSR initiatives based on the Supply Chain CSR Promotion Guidelines	100%	100%	100%	2025
Increase of CSR questionnaires implementation rate	Conduct CSR questionnaires of more than 1,500 primary suppliers inside and outside of Japan (accounting for 80% of total procurement value)	143 companies in Japan and 511 companies overseas	449 companies in Japan and 487 companies overseas	Around 600 companies in Japan and around 700 companies overseas	2025

Results of CSR Questionnaires for Fiscal 2021



Policy regarding social responsibility in business practices
 Have written rules to inform employees of their social responsibilities and ensure they strictly fulfill
 such social responsibilities in areas such as business policy and code of conduct in business practices.

(Page 465)

Always strive to ensure safety and quality of products for end users. If problems regarding safety arise, take action promptly and appropriately.

> Specific Guidelines 王

> Specific Guidelines 🛨

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3. Free competition and fair trading

Conduct company business activities in a fair manner by being compliant with laws and regulations related to free competition and fair trading, including antitrust laws in each country and region.

> Specific Guidelines 🖽

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4. Compliance with trade-related laws and regulations

2. Provision of safe, high-guality products and services

Comply with trade-related laws and regulations of each country and region, and under no circumstances get involved in dealings that risk endangering world peace and safety and the maintenance of world order.

🔉 Specific Guidelines 🖽

(Page 468)

Respect and protection of intellectual property rights Respect the intellectual property rights of other companies and ensure not to infringe upon them.

> Specific Guidelines 크

(Page 469)

6. Proper management and utilization of information

Properly manage and efficiently utilize confidential information and personal information of your own and other companies, and always ensure that such information is obtained under lawful means.

> Specific Guidelines 庄

(Page 470)

7. Prohibition of insider trading

To maintain trust as company, do not take a part in the buying and selling of stockshares with the aid of non-disclosed information obtained from your own or other companies (insider trading).

> Specific Guidelines 🖽

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8. Timely and proper disclosure of corporate information

When Daikin, based on appropriate reasons and situations, requests that you disclose information on your company, respond earnestly and in a timely manner, and strive for earnest two-way communication with Daikin.

> Specific Guidelines 🖽

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9. Preservation of the global environment

Comply with environment-related laws and regulations in each country and region, and implement activities to sustain and improve the global environment in all areas of business, including development, production, sales, logistics, and services.

> Specific Guidelines 🖽

(Page 473)

10. Guarantee of safe operations

Besides ensuring safety in the workplace, obtain the trust of stakeholders in the community by always putting "safety first" and by making every effort to ensure safe operations.

🔉 Specific Guidelines 🖽

(Page 474)

11. Respect for human rights and diversity, and compliance with labor-related laws

Respect the human rights of each and every individual; do not in any way discriminate against people based on their nationality, race, ethnicity, religion, skin color, age, gender, birth, or disability; and respect people's diverse values and approaches to work. In addition, observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances sanction the labor of underage employees, minors who do not meet the minimum legal age requirements (child labor), or labor performed under compulsion or against a person's will (forced labor).

(Page 475)

12. Protection of Company Assets

We shall properly manage the tangible and intangible assets of our company to protect and utilize effectively these assets.

> Specific Guidelines 🛨

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13. Proper handling of accounting procedures

Perform accounting procedures lawfully and properly according to accounting standards and tax laws, and strive for a high level of internal control.

(Page 478)

14. Moderation in entertainment and gift exchanges

Exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment and the exchange of gifts related to business activities.

🕨 Specific Guidelines 庄

(Page 479)

15. Firm stance toward anti-social behavior
Take a firm stance against anti-social forces or organizations that threaten the safety and order of citizens and society.
Specific Guidelines :

(Page 480)

16. Compliance with industry laws and regulations

Accurately comprehend and observe all business laws and regulations applicable to your company's business activities.
Specific Guidelines :
(Page 481)

17. Proper grasp of industry risks and implementation of business continuity plans

Conduct appropriate risk management in your company's business activities, and have a business continuity plan (BCP) in place.
Specific Guidelines :

Green Procurement Ensures Thorough Chemicals Management

> Refer to Green Procurement (Environmental Management) (Page 153)

Dealings Based on Our Basic Policy Regarding Conflict Minerals

Under "11. Respect for human rights and diversity, and compliance with labor-related laws" of the Supply Chain CSR Promotion Guidelines, the Daikin Group strives to identify materials from the Democratic Republic of the Congo and its surrounding countries and recommends suppliers to procure minerals from smelters with conflict-free certification. In addition, in July 2013, we established our Basic Policy Regarding Conflict Minerals.

In our air conditioning divisions, in fiscal 2016 we started an online registration system for results of conflict mineral (3TG: gold, tin, tantalum, and tungsten) surveys based on the latest system or tool designed by RMI*. This strengthens our system for surveying the procurement sources of conflict minerals.

* RMI: Responsible Minerals Initiative

Basic Policy Regarding Conflict Minerals

To ensure that Daikin does not inadvertently provide assistance to inhuman acts of armed groups in the Democratic Republic of the Congo and surrounding countries, we are taking active measures to uphold appropriate mineral procurement by raising transparency of the supply chain in cooperation with our global business partners.

Risk Management in the Supply Chain

Daikin is working to mitigate growing procurement risks due to the globalization of its business operations.

We regularly evaluate suppliers to identify risk and have created an in-house system for making quick decisions on suppliers affected by risk, and we update our databases as needed in order to improve our ability to deal with problems when they arise.

We encourage the use of multiple suppliers across different regions and the commonization and/or standardization of parts in order to ensure raw materials and parts are supplied in a stable and timely manner at reasonable prices even if one supplier faces a deterioration in financial situation or in case of a natural disaster or accident.

Suppliers that carry parts and materials matching Daikin's core technologies are designated as "Critical Supplier" considering the three categories of "substitution difficulty," "size of transactional value", and "importance of items supplied." Moreover, from among these, suppliers that further meet the following criteria at a certain level are designated as "Global Supplier," with whom we promote business on a global scale.

Definition of Global Supplier

- 1. Supplier with a business location targeting one of Daikin's global locations
- 2. Capability to manage the sales price demanded by Daikin
- 3. Capability to conclude a contract or agreement demanded by Daikin

In fiscal 2021, 23 companies around the world have been designated as Global Suppliers to Daikin. Through our Global Supplier Conference, we work to adjust order volume, streamline costs, and ensure stable procurement in dealings with these 23 supplier companies. In addition, following the spread of the COVID-19 pandemic, we are promoting greater procurement locally.

1. SOCIAL RESPONSIBILITY IN BUSINESS PRACTICES

Have written rules to inform employees of their social responsibilities and ensure they strictly fulfill such social responsibilities in areas such as business policy and code of conduct in business practices.

Specific Guidelines

- Top management members take the initiative in fulfilling social responsibility
 Have top management members take the initiative for social responsibility at your company by making
 policy and demonstrating this policy by example.
- 2. Have written rules on management policy for furthering social responsibility Formulate and put into writing rules for your company's (management's) policy on social responsibility, as well as codes of conduct for these rules, and convey these rules to employees and all others connected to

Documents to be submitted:

your company's business operations.

- Top management's CSR policy (Sustainability Report, information on company website)
- Documents on CSR policy and code of conduct (Sustainability Report, information on company website)

2. PROVISION OF SAFE, HIGH-QUALITY PRODUCTS AND SERVICES

Always strive to ensure safety and quality of products for end users. If problems arise, take action promptly and appropriately.

Specific Guidelines

1. Ensure the safety and quality of products and parts

- 1. Abide by relevant product-safety laws and product-safety standards in Japan and other countries.
- 2. To ensure quality of products (and parts), take measures including the establishment of a quality management system, so that in all processes, from design and manufacture to sales and after-sales service, your company can ensure the level of product safety and quality that Daikin demands.
- 3. To ensure that products (and parts) can be used safely, upon request from Daikin, provide it without delay with documentation such as delivery specifications and technical documents.
- 4. Strive to provide the safest and highest-quality products by promptly obtaining information on products (and parts) from within Daikin or from the market and by using this information to handle customer issues down the line and to provide the relevant company departments with proper customer feedback.

Documents required for submission:

- If your company's products, or products that use your company's products, have in the past been cited for a violation of product safety laws, provide documentation of the violation and the measures taken to resolve the problem.
- If your company has formulated its own safety standards related to parts (and products) regardless of laws or requests from customers, disclose the content of these standards.

2. Respond promptly and appropriately when safety issues occur

- 1. Gather information on accidents involving your company's products (and parts), report this promptly to your company's top management, and provide Daikin with appropriate information.
- 2. If a safety issue occurs with your company's product (or part), prioritize end user safety by promptly taking all possible measures to prevent further accidents or to minimize damage from the accident.
- 3. Upon request from Daikin, promptly provide Daikin with a written report containing your company's evaluation of the accident, its cause, and possible ways to deal with the problem.

3. FREE COMPETITION AND FAIR BUSINESS DEALINGS

Pursue honest business activities by engaging in honest competition in abidance with Japan's Antimonopoly Act and the relevant laws of other countries and regions, and by abiding with other laws related to business dealings.

Specific Guidelines

1. Observance the Antimonopoly Act

- 1. To ensure free competition, do not enter into agreements with your competitors in any country to predetermine pricing, production and sales quantity, production and sales models, business partners, sales territory, date of product launch, or similar anti-competitive action.
- 2. In the case of tendered bids and quotations, do not enter into any agreements with your competitors to predetermine bid price or bid recipient.
- 3. Do not unfairly inhibit your dealers from selling other companies' products, nor restrict their sales territories, sales routes, purchase routes, or take any similar action in violation of the Anti-Monopoly Act or other fair-trade laws.
- 4. Observe the laws and regulations relating to fair competition in each country and region, and conduct fair and honest business activities.

4. COMPLIANCE WITH TRADE-RELATED LAWS AND REGULATIONS

Comply with trade-related laws and regulations of each country and region, and under no circumstances get involved in dealings that risk endangering world peace and safety and the maintenance of world order.

Specific Guidelines

1. Ensure that Transactions Do Not Undermine Security

- 1. Observe the Security Export Control Regulations and U.S. overseas application of the U.S. Export Administration Regulations governing trade laws from a standpoint of support for non-proliferation of weapons of mass destruction, deterrence to the excessive buildup of conventional weapons, and absolute avoidance of any possible involvement in or assistance to terrorist activities.
- 2. Sufficiently verify the user and intended use of transactions involving exports by being attentive to the international situation and do not engage in any trade that conflicts with your company's social responsibility.
- 3. Formulate clear in-house policies for secure export control, and abide by these policies to ensure thorough export control.

2. Observe Other Trade Control Laws and Regulations

Besides ensuring secure export control as mentioned above, observe all related laws and regulations that concern the importing or exporting of products (or parts), including Japan's Foreign Exchange and Foreign Trade Control Law and the Custom's Law.

5. RESPECT AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Acquire and protect intellectual property rights for your company, respect the intellectual property rights of other companies, and ensure you do not infringe upon the intellectual rights of other companies.

Specific Guidelines

1. Acquire, Protect, and Utilize Intellectual Property Rights

- 1. Recognize that intellectual property is an important asset and strength of your company, and therefore properly maintain, manage, and protect your intellectual property rights while utilizing them effectively.
- 2. Be conscious that your company's products (and parts) are used in Daikin's and other company's products around the world, and actively acquire and protect intellectual property rights, which are the result of your company's advanced, creative research and development.
- 3. Gather information concerning intellectual property rights generated from all your organization's group companies, including overseas companies, and strive to fully understand and utilize intellectual property rights as a corporate group.
- 4. Appropriately execute your rights in regards to infringement upon your company's intellectual property rights by third parties.

2. Respect the Intellectual Property Rights of Other Companies

- 1. When developing new products (and parts) and technology, confirm that you are not infringing on the intellectual property rights of other companies anywhere in the world.
- 2. In the legal licensing of intellectual property rights from Daikin and other companies, observe the scope of use specified in the contract when using those property rights. For example, be thorough in making sure you are not making illegal copies of software.

3. Do Not Copy Other Companies' Products

In the interests of fair competition, do not without permission imitate the products (or parts) of any other companies during the development, manufacture, or sale of your products

6. PROPER MANAGEMENT AND UTILIZATION OF INFORMATION

Properly manage and efficiently utilize confidential information and personal information of your own and other companies, and always ensure that such information is obtained under lawful means.

Specific Guidelines

1. Properly Manage and Utilize Your Company's Confidential Information

- 1. Properly manage and utilize the confidential information of your company to prevent it from leaking to outside the company.
- 2. Should the disclosure of confidential information of your company become necessary, thoroughly consider the disclosure method, the scope of the confidential information to be disclosed, and other matters, and take measures such as signing confidentiality agreements in order to prevent the confidential information from leaking to third parties.
- 3. Ensure that employees leaving your company do not leak confidential information that they obtained during their tenure with the company.

2. Fairly Obtain and Properly use the Confidential Information of Other Companies

- 1. When obtaining confidential information of other companies, acquire this information by proper methods and from a person with authority to disclose it.
- 2. Upon acquiring confidential information from another company, confine its use to the scope specified in the confidentially agreement and properly manage the information as if you were handling the confidential information of your own company.

3. Properly Handle Personal Information

- 1. When acquiring personal information, convey to the individual in question the purpose of use of the information and restrict its use to this purpose.
- 2. Do everything possible to prevent the leak of personal information that is entrusted to you from business partners, employees, and others.
- 3. Take the appropriate measures regarding requests by individuals to disclose, correct, or delete any of the personal information that you have stored in your database.

4. Appropriately Manage Personal Information Systems

- 1. Protect your company's IT system (computer systems, networks, and information property kept within the computer systems), and build an environment for its proper use.
- 2. Always be on guard for cyber attacks such as computer viruses from outside your company. If by chance your company is attacked, have measures in place to prevent against actual damage from viruses.

7. PROHIBITION OF INSIDER TRADING

To maintain trust as company, do not take a part in the buying and selling of stockshares with the aid of non-disclosed information obtained from your own or other companies (insider trading).

Specific Guidelines

1. Do Not Take Part in Insider Trading Based on Your Company's Internal Information

When material information (non-public information that may affect investment decisions) is gained regarding your company and its group companies, strictly manage such information in order to prevent leaks to third parties prior to public disclosure, and ensure that none of your employees buy or sell shares in your company for the purpose of profiting from the insider information.

2. Do Not Take Part in Insider Trading Based on Other Companies' Internal Information

When material information is obtained on suppliers and other third party companies in the line of duty, strictly manage such information in order to prevent leaks to third parties prior to public disclosure, and ensure that none of your employees buy or sell shares in the company in question for the purpose of profiting from the insider information.

3. Prohibit Leaks of Material Facts

When material facts of your company and its group companies, as well as other third-party companies (listed companies), are obtained, strictly manage that information prior to its public disclosure to prevent it from leaking to third parties and being used for the purpose of insider trading. In addition, do not convey that information to parties other than those who need it to perform work.

8. TIMELY AND PROPER DISCLOSURE OF CORPORATE INFORMATION

When stakeholders make requests for information based on proper reasons and conditions, do everything possible to disclose such information in a timely manner, and strive to further communication with stakeholders.

Specific Guidelines

1. Be a Highly Transparent and Open Company that Earns the Respect of Society

If Daikin or other group companies make requests for information on your company's business based on proper reasons and conditions, disclose such information in a proactive and timely manner. In addition, build a relationship of trust with Daikin through communication and strive to be a highly transparent and open company.

2. Disclose Investor Information in a Timely and Appropriate Manner

Disclose investor information to your stakeholders in accordance with laws and regulations. In addition, disclose valuable and reliable information on your management philosophy, management strategy, business plans, and other facets of business in a proactive, appropriate, and timely manner so that your stockholders gain a full understanding of your enterprise's management.

3. Cooperate in Inspection Tours and Audits of Your Factories

Cooperate in every way possible with requests from Daikin for inspection tours or audits (regarding quality, safety, or other necessary matters) of your factories.

9. PRESERVATION OF THE GLOBAL ENVIRONMENT

Observe all applicable laws and regulations in each country and world region, and practice initiatives that preserve and improve the global environment in all aspects of your business operations, including product develop, manufacturing, sales, distribution, and service.

Specific Guidelines

1. Observe Environmental Laws and Regulations

In the execution of your business activities, observe environmental laws and regulations, reduce the environmental load of business activities, and take measures to prevent environmental pollution.

2. Implement Measures to Protect the Environment in All Aspects of Business

Work with Daikin and other business partners and suppliers to carry out environmental protection activities in all aspects of your business operations, including manufacturing, distribution, sales, and after-sales service.

3. Contribute to Environmental Preservation through Product Development and Technological Innovation Pursue development and technological innovation of products (and parts) with superior environmental performance while having a firm, quantitative understanding, from the planning and design stages in product development, of the impact that your business has on the environment.

4. Environmental Communication

Pursue honest and fair disclosure of information on your company's environmentally related efforts and successes. In addition, in your initiatives, utilize outside knowledge obtained through, for example, dialogue with stakeholders.

5. Encourage Employees to Preserve the Environment Both in the Workplace and at Home

Contribute to local communities and society by increasing environmental knowledge and awareness among your employees through environmental education and volunteer activities, reduce environmental load with energy savings and resource conservation in the workplace and at home, and tackle initiatives for biodiversity conservation that protect nature and recycle.

6. Prevent Environmental and Health Hazards in the Community

Be aware of the environmental impact that your business has on not only your factory but on its surroundings as well so that you do not cause environmental and health hazards in the community.

7. Cooperate with Green Procurement Surveys and Strive to Improve Green Procurement

Cooperate in all aspects of Daikin's Green Procurement Surveys, and continuously strive to improve your company's Green Procurement Score on these surveys.

10. GUARANTEE OF SAFE OPERATIONS

Take all possible precautions for safe operations and act with a mindset of "Safety First" to ensure the safety of the workplace and further gain the trust of people in the regions you serve.

Specific Guidelines

1. Observe Safety-related Laws and Regulations and Establish and Observe Internal Standards to Ensure Safe Operations

Establish safety-related laws and regulations and internal company safety rules in response to experience and past failures, and observe these policies in the interests of safety. Observe society's safety-related laws and regulations, establish internal rules suitable to your company's business, constantly review these rules to make them appropriate, and strictly follow them in order to raise the level of safety.

2. Take Precautions Based on the Likelihood of Danger

To ensure operational safety, determine the possible sources of hazards before an accident or disaster occurs, and take precautions to prevent such occurrences.

Together with near-miss training and danger prediction activities, examine possible causes of danger in the workplace through risk assessment, and draft countermeasures for risk and conduct PDCA in order to achieve "zero danger" in every aspect of your organization.

3. Take Immediate Action in Response to an Accident or Disaster

- 1. In the event of an accident or disaster, rescue the victims and prevent the spread of the accident or disaster. If necessary, take prompt and speedy measures in the community by, for example, issuing an evacuation order for locals and leading them in the evacuation.
- 2. Have a business continuity plan (BCP) in place that includes measures such as quickly restoring equipment damaged in the disaster. If a disaster occurs, make every effort to minimize its impact.

11. RESPECT FOR HUMAN RIGHTS AND DIVERSITY, AND COMPLIANCE WITH LABOR-RELATED LAWS

Respect individual human rights, diverse values, and working philosophies, and strive to build a workplace where people feel safe and free to work in their own way. In addition, observe both the letter and spirit of all labor laws and regulations of each country and region, and under no circumstances sanction the labor of underage employees, minors who do not meet minimum legal age requirements (child labor), or labor performed under compulsion or again a person's will (forced labor). If there are contradictions between laws of each country and internationally accepted standards of human rights, pursue the method to respect universal human right principles at maximum efforts.

Specific Guidelines

1. Respect Human Rights

Respect the human rights of each and every employee, both those of your own company and those working for companies you outsource to, without regard to nationality, race, ethnicity, religion, color of skin, age, gender, sexual orientation, or disability. Strive to ensure a pleasant working environment and good human relations in the workplace.

Do not engage in any forms of harassment, make every effort to create a fair and positive workplace and do not engage in forced labor.

Strive to preserve privacy of employees.

Furthermore, respect the human rights of people outside the company including your business partners and various stakeholders by human rights due diligence and mechanism of correction and grievance adjustment.

2. Respect Diversity

Pool the strength of all people concerned by respecting their diverse values and working philosophies and mutually accepting their differences, with the aim of building a workplace where you can maximize the talents of your human resources.

3. Observe Laws and Regulations Related to Labor Practices

Thoroughly comply with all labor laws and regulations (Labor Standards Law, the Industrial Safety and Health Law, the Labor Union Law, the Worker Dispatch Law, etc.,) and promote a relationship where "the company and the individuals who work there are drawn together by mutual preference," thus creating a workplace foundation that allows each and every employee to work with enthusiasm.

Furthermore, respect freedom of association and right to collective bargaining following laws applied in the nation and district on business and strive to secure appropriate wages and management of working hours.

4. Ensure Workplace Health and Safety

Conduct daily inspections of workplaces for possible causes of disasters and implement disaster prevention measures so that you can create a work environment where disaster risk is minimized and where your employees can thus work in safety.

5. Instill Pride in Your Employees

Have all your employees act in awareness of their responsibility as members of society. Do not commit any anti-social or illegal acts, and do not get involved with any companies or individuals committing such acts. In addition, observe your working regulations and internal company policies and do not commit any dishonest or unfaithful acts. Moreover, maintain internal order and public morals and work diligently and with sincerity.

International norms:

Universal Declaration of Human Rights, The United Nations Guiding Principles on Business and Human Rights, United Nations Global Compact, ILO Declaration on Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises

12. PROTECTION OF COMPANY ASSETS

Properly manage the tangible and intangible assets of your company to protect and effectively utilize these assets.

Specific Guidelines

1. Use Corporate Assets Only for Business Purposes

Establish and enforce internal rules in order to effectively utilize your company's assets and make them your own, and do not use these assets for any purpose other than company business.

2. Protect Corporate Assets

Enact protective measures for corporate assets (such as daily disaster-prevention activities) and always handle the assets with care to prevent their loss, damage, or theft. In addition, make every effort for appropriate credit management to limit exposure and prevent the occurrence of uncollectible debts.

3. Properly Manage Corporate Assets

Avoid speculative trading in the management of your company's corporate assets (real estate, securities, etc.).

4. Conclude Appropriate Contracts

Before concluding an agreement, thoroughly examine the contractual terms of the agreement to ensure that your rights are secured and that you avoid assuming unreasonable obligations. In addition, fulfill the terms of the agreements you have concluded.

13. PROPER HANDLING OF ACCOUNTING PROCEDURES

Perform accounting procedures lawfully and properly according to accounting standards and tax laws, and strive for a high level of internal control.

Specific Guidelines

1. Pay Expenses Properly

When paying expenses, use all possible means, including internal rules under which multiple people conduct checks, as part of strict measures to ensure the avoidance of unfair or improper expense payments.

2. Ensure Fair Accounting

Conduct accounting based on generally accepted corporate accounting principles in order to ensure the accuracy of your accounting and financial data. Likewise, build and maintain an appropriate internal control system to ensure the accuracy of financial reporting.

3. Observe Tax Laws

- 1. Pay taxes in accordance with relevant tax laws.
- 2. For overseas transactions, including transactions by companies in your corporate group, carefully check how tax laws apply in the countries of your group companies' and in the countries of the companies your group companies are dealing with.

14. PRACTICING MODERATION IN ENTERTAINMENT, GIFT EXCHANGES, AND INVITATIONS

Exercise moderation and perform within the acceptable range of social norms and obey the laws and regulations of each country and region in regards to entertainment, the exchange of presents, and invitation relating to your business. In particular, do not entertain, provide gifts of monetary value, or extend invitations to public officials in Japan or abroad that violate the applicable laws and regulations in each country and region.

Specific Guidelines

- 1. Maintain Sound and Transparent Relationships with Government and Municipal Offices
 - 1. Do not provide entertainment, gifts, or invitations to any public servants in government offices in accordance with laws such as Japan's National Public Service Ethics Act.
 - 2. In striving to expand your global business, do not provide entertainment, gifts, or invitations to any public servants in overseas government offices in accordance with national or regional laws and regulations.

2. Observe Japan's Political Funds Control Law and Public Offices Election Law

Before making a political donation or contribution, whether to a candidate or a political party, thoroughly study and uphold laws such as Japan's Political Funds Control Law and Public Offices Election Law, and follow any relevant procedures that are specified.

3. Practice Moderation in Entertainment and Gift Exchanges with Business Partners

When entertaining, exchanging gifts with, or extending invitations to customers or business partners, comply with the laws and regulations relating to each country and region and seek moderation appropriate to the standards of society in maintaining sound business practices.

15. FIRM STANCE TOWARD ANTI-SOCIAL BEHAVIOR

Take a firm attitude against anti-social forces and organizations that threaten the safety and order of citizens.

Specific Guidelines

1. **Prohibit the Giving of Material Benefits to any Person Regarding the Exercise of Shareholders' Rights** Prohibit the giving of material benefits to any person regarding the exercise of shareholders' rights.

2. Prohibit Dealings with Anti-social Forces and Organizations

- 1. Do not take part in dealings that serve as supporting or providing illegal profit to any anti-social forces or organizations.
- 2. Do not enlist the support of anti-social forces or organizations in pursuit of business activities.

3. Institute Zero Tolerance of Anti-social Forces and Organizations

- 1. Do not meet any unjustified or unreasonable demands of any criminal groups or organizations.
- 2. If contacted by an anti-social force or organization, handle the matter on an organization basis, not an individual basis. Moreover, regularly work to build a specific link between law enforcement officers and outside specialists such as lawyers, and in the case of an emergency take appropriate measures through both civil and criminal legal channels in cooperation with outside specialists.

16. OBSERVING EACH CATEGORY OF INDUSTRY LAW AND REGULATION

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

Specific Guidelines

We shall accurately comprehend and observe all business laws and regulations of each country and region applicable to our business activities.

We shall observe all applicable laws and regulations relating to fair competition and fair trade of each country and region, including antimonopoly laws. Furthermore, we shall conduct fair sales and procurement activities based on proper corporate ethics and in accordance with sound business practices and social norms.

17. PROPER GRASP OF INDUSTRY RISKS AND IMPLEMENTATION OF BUSINESS CONTINUITY PLANS

Conduct appropriate risk management in your company's business activities, and have a business continuity plan (BCP) in place.

Specific Guidelines

1. Conduct Economic, Social, and Environmental Risk Management in Your Company's Business Activities Always have a clear picture of your company's business risks and have a BCP in place by studying the economic, social, and environmental risks of your business and if necessary updating aspects of your company's risk management policy.

2. Formulate a BCP to Avoid Risk

With regards to the above-mentioned risks, be prepared for emergencies by having rules stipulating measures to take in case of emergencies (a BCP). In particular, strive to avoid risk by clearly stipulating action guidelines related to recent major problems such as global warming and water risk.

3. In Business Continuity Efforts, Have Company Executives Lead by Example on Key Governance Issues and Inform All Employees of these Issues

In the area of business continuity, have company executives lead by example and have rules covering the entire company. In addition, ensure each and every employee is thoroughly versed in these rules and have all employees work together to ensure the sustainability and continuity of business.

4. Disclose Information on BCP Initiatives

If requested, immediately inform Daikin of the details of your company's BCP.

5. Formulate a BCP that Covers Even Your Secondary and Tertiary Business Partners Formulate a BCP that covers not just your own company but also the BCP efforts of your suppliers.

Documents required for submission:

- Documents (rules, procedures, etc.) detailing your company's internal standards for BCP management
- Risk management documents from your secondary and tertiary suppliers (factory locations, assessment data, etc.)

Supply Chain Management WORKING CLOSELY WITH SUPPLIERS

Ensuring Legal Compliance in the Entire Supply Chain

Doing Everything Possible to Help Suppliers Achieve Compliance

Daikin does everything possible to help suppliers abide by laws.

In the air conditioning divisions, we send out written requests for legal compliance and hold meetings four times a year at which we introduce case studies.

We also provide information on compliance with environmental laws and regulations on a special website for suppliers.

In the chemicals divisions, we carry out unscheduled audits. During on-going assessments, we also have suppliers fill out questionnaires to diagnose their own compliance and that of their external providers. So that we can judge their progress, these sheets contain check items related to eliminating excessive and unfair labor, and the respect of human rights at supplier companies.

Ensuring Compliance with the Subcontract Act

There are several thousand Daikin suppliers and subcontractors covered by the Subcontract Act. Our Subcontract Act Compliance Guidelines ensure that all Daikin divisions are in full compliance with the Act. We provide training to employees of relevant divisions and have them participate in third-party seminars.

Comprehensive compliance inspections ensure that appropriate payment methods are being followed. We also constantly check the financial situation of subcontractor suppliers and production outsource suppliers and, if necessary, implement assistance measures such as relaxation of payment methods.

Helping Suppliers Build Environmental Management Systems

Daikin Industries, Ltd. requires that its suppliers abide by the Green Procurement Guidelines and that they establish and operate their own environmental and quality management systems. Amidst increasingly strict chemical control laws, we regularly revise our Green Procurement Guidelines. On top of this, using a green procurement survey, Daikin Industries, Ltd. determines the effectiveness of suppliers' environmental management systems. In fiscal 2018, we introduced chemSHERPA, a chemical control system recommended by Japan's Ministry of Economy, Trade and Industry in an effort to manage information on chemicals in a more speedy and reliable manner.

Since fiscal 2016, as a new part of our CSR procurement efforts, we survey suppliers on their use of conflict minerals (the four minerals of tin, tantalum, tungsten and gold, which are mined in the Democratic Republic of the Congo and surrounding countries and are used by rebel groups to purchase weapons).

Related information

- > Green Procurement (Page 153)
- > Green Procurement Guidelines (Page 491)

Raising Product Quality and Ensuring Safety Together with Suppliers

Suppliers Take Part in Quality Improvement Conferences, Receive Quality Guidance

Daikin conducts regular quality audits at the production sites of suppliers through its business sites in Japan and overseas. We also hold information sessions and training sessions to provide opportunities for suppliers to learn about methods of improving quality, and CSR procumbent, among other matters.



Quality improvement announcement meeting

Support provided to suppliers

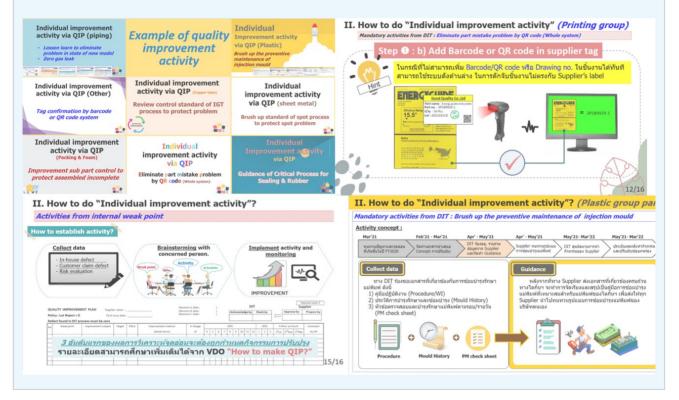
Supplier meetings	Explanation is given on Daikin Industries, Ltd.'s policy and situation, and information is provided on its CSR and environmental initiatives to suppliers of the air conditioning divisions. (Four times/year, but in fiscal 2021, as with fiscal 2020, it was held one time to prevent the spread of COVID-19, with a total of 119 companies taking part.)	
Quality meetings	Quality training is implemented for suppliers in aiming to permeate understanding of Daikin's quality guidelines. (Every year, 279 companies took part in the two meetings held in fiscal 2020. Quality training was not held in fiscal 2021.)	
Quality improvement announcement meetings, quality improvement proposal meetings	Suppliers with quality problems must report on improvement measures, targeting suppliers of the air conditioning divisions. (Quality improvement announcement meetings were held on five occasions for 17 companies in fiscal 2018, four occasions for 30 companies in fiscal 2019, one occasion for 17 companies in fiscal 2020 due to COVID-19, and one occasion for six companies in fiscal 2021. Meanwhile, quality improvement proposal meetings were held on 124 occasions for 11 companies in fiscal 2020 and 169 occasions for 24 companies in fiscal 2021.)	

Quality audits	Auditing institution conducts regular external audit based on ISO 9001, and internal audit are conducted jointly in the Air Conditioning Manufacturing Division and at suppliers of the air conditioning divisions. Moreover, our representatives conduct visits to suppliers for checks on management items concerning the procurement and quality of newly adopted parts and the production process to streamline production on a regular basis. (Conducted at 95 companies in fiscal 2018, 99 companies in fiscal 2019. Conducted at only 44 companies in fiscal 2020 and 52 companies in fiscal 2021 due to COVID-19) Suppliers of the chemicals divisions who provided defective products underwent audits based on ISO 9001. (Switched to online audits in some cases after narrowing the target companies to nine in fiscal 2021 due to COVID-19.)
Quality process audit	We also conduct periodic audits on quality process on suppliers of the air conditioning divisions based on Daikin's quality guidelines.
Quality forum	Introduction of Daikin Industries, Ltd.'s quality policy, defect rate and quality cost of purchased goods, quality abnormalities among companies, and activities aimed at improving quality, targeting suppliers of the chemicals divisions. (Once a year)
Commendation system	Suppliers that make significant contributions to the areas of development, production, quality, price, delivery, environment and global business are presented with a CEO Award, COO Award or Special Commendation once a year in order to recognize the daily contributions of suppliers.
Supplier visits	Managers and certified excellent engineers "Takumi" of Daikin Industries, Ltd. visit suppliers of the air conditioning divisions to provide instructions.
Technical exchange meetings	Daikin representatives conducted both in-person visits to suppliers and online meetings during COVID-19 to exchange information to propose new technology and innovative techniques. (14 companies took part in fiscal 2021).
Technical meetings	Information sessions on Daikin technology are held to provide a platform for making technical proposals between Daikin and its suppliers (120 companies took part online in fiscal 2021).

Supporting Quality Improvements of Suppliers in Thailand

With in-person support made difficult due to the COVID-19 pandemic, Daikin Industries (Thailand) Ltd. provided e-learning to suppliers beginning in fiscal 2021 to support their analysis and improvement of quality issues and increase quality.

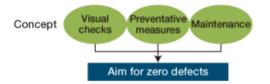
The training features a number of courses that teach about analysis and improvement of quality issues along with specialist knowledge for improving the quality of supplied parts, including ways to increase technical skills for making plastic molds and fabricating pipework and improving process management methods using 2D codes. More than 150 suppliers participated in the training. Suppliers' comprehension of curriculum is regularly confirmed via post-training test.



Aiming for Zero Defects through ZD Activities at Bases Worldwide

Since fiscal 2007, the air conditioning divisions have been working with suppliers taking part in the Supplier Quality Conference in an initiative called ZD (zero defect) activities. The goal is to achieve zero defects through 3S (visual checks for "sort, sweep and standardize"), preventative measures (look for potential defects in production processes), and prevention of reoccurring problems (through regular maintenance).

ZD Activities with Suppliers



Business Partners and Staff of Outsourcing Partners Contribute to Plant Safety

Providing Business Partners and Staff of Outsourcing Partners Working in Daikin Plants with Safety Information and Conducting On-Site Patrols

Daikin Industries, Ltd. asks for business partners and staff of outsourcing partners to cooperate in making plants safer.

Assisting Business Partners and Staff of Outsourcing Partners to Ensure Safety

Plant safety liaison meetings	Awareness on safety is raised and information sharing carried out in order to safeguard staff of outsourcing partners. (Meetings are held bi-monthly) In addition, safety patrols are held.
Driving safety seminars	Drivers of supplier delivery vehicles that frequent our factories are taught about traffic rules on- and off-site. (Once a year, in fiscal 2021, seminars were held online to prevent the spread of COVID-19. Approximately 500 drivers participated.)
Training for partner companies	Training is held on safety and work quality management, information on hazardous chemicals provided using Safety Data Sheets (SDS), and pocket-sized safety booklets are handed out to workers of partner companies performing periodic maintenance of chemical facilities.

Related information

> Occupational Safety and Health (Page 346)

Building a Relationship of Growth

Communication is Key to Building Understanding and Trust

Daikin takes every possible opportunity to communicate with suppliers and promote mutual understanding and trust.

In the air conditioning divisions, managers including the general manager and the senior manager of the Global Procurement Division regularly visit suppliers, where they lead briefings, goodwill gatherings, and awards ceremonies as part of communication enhancement efforts.

In April 2014, we re-started our air conditioner cooperative. The aim of this cooperative is to provide the impetus for innovation leading to new and better manufacturing; for example, counter the weakening of Japan's manufacturing amidst intensifying globalization by helping make Japanese suppliers more internationally competitive and by boosting our ability to quickly respond to sudden changes such as exchange rates and market conditions.

In fiscal 2021, the annual meeting was held online due to the COVID-19 pandemic. Also, we streamed videos and held study sessions to raise the bar of CSR procurement.

In fiscal 2021, we again focused on activities of subcommittees in the air conditioner cooperative, which are divided into the three categories of safety, delivery improvement, and rental assets, hosting an annual review of activities. These activities benefit both suppliers and Daikin, including through business collaboration.

In the chemicals divisions, besides the ongoing Quality Forum meetings, purchasing managers keep in close contact with suppliers to gather and exchange information in areas such as technology, quality, and prices. Any problems that come up are solved through extraordinary or emergency support requests to relevant divisions.

Particular emphasis was given to follow-up after outsourced production start-up, and we worked with suppliers while the chemicals divisions worked alongside the Quality Assurance Department and engineering divisions to examine the products onsite.

GREEN PROCUREMENT GUIDELINES

Green Procurement Guidelines

Helping Suppliers be Legally Compliant

Daikin established the Green Procurement Guidelines, and it has been promoting environmental management throughout the entire supply chain in order to provide more environmentally responsible products. In April 2021, we published a revised 12th edition of the Green Procurement Guidelines.

At our major manufacturing bases in Japan, Europe, North America, Latin America, China, and Southeast Asia, we help suppliers abide by the Green Procurement Guidelines and inspect products from our suppliers to determine the chemical substances they contain.

Overview of the Green Procurement Guidelines (PDF file)

- Guidelines PDF Data 1 (428KB)(Apr. 2021 revised) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/supplier/guidelines_e-pdf.pdf)
- > Green Procurement Inspection List PDF Data ⁺ (195KB) (https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/supplier/inspection-pdf.pdf)



Sustainability Report

2022 -Web version-(As of November 2022)

Stakeholder Engagement

Stakeholder Engagement	495
Dialogue with Shareholders and Investors	498
Dialogue with Government and Industry Groups	502

Foundational Themes Stakeholder Engagement



Policy

Engage in dialogue with all members of society and reflect outside opinions in our business, and continuously examine our actions to ensure that we meet society's demands and expectations

Why is it important?

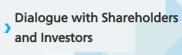
The business activities of companies directly and indirectly affect stakeholders, the environment and society in general. A company must understand the concerns and expectations of stakeholders through dialogue so as to establish a positive cycle for mutual relationships in order to fulfill its social responsibility and achieve sustainable growth.

Daikin's Approach

At Daikin, we value opportunities for dialogue and collaboration with customers, national and local governments, international organizations, experts, industry, and academia. We believe that any feedback we receive is essential to our continued growth and reflect our findings in corporate management.



The Daikin Group uses every means possible to gather the opinions of stakeholders and reflect them in our management, all with a focus on engaging our stakeholders.



(Page 498)

The Daikin Group takes increasing responsibility to release information on its business situation promptly and properly. We are particularly diligent about being transparent with our shareholders and investors.

Dialogue with Governments and Industry Groups

(Page 502)

To alleviate and solve society's problems, the Daikin Group actively pursues dialogue with concerned parties, offering proposals and calling for action.

STAKEHOLDER ENGAGEMENT

Basic Policy

So that we can continue to contribute to society, Daikin uses every means possible to gather the opinions of stakeholders, report these to company officers, and reflect them in our management, all with a focus on stakeholder engagement^{*}.

Daikin's main stakeholders are the customers to whom we provide products and services, those directly affected by our business including shareholders, investors, employees, and business partners, as well as members of local communities, who are affected by our business activities. Moreover, the national and local governments of the countries where we do business, and those countries' industry groups, are connected to our efforts to improve environmental performance and disseminate environmental technologies. But no single group of stakeholders has priority over another; they are all important to Daikin.

* Stakeholder engagement

The process of being actively involved with one or more stakeholders through dialogue or other means, with the aim of achieving a mutually acceptable outcome, in the course of a corporation's integration of its social responsibility into day to day practice. (From the Keidanren's Charter of Corporate Behavior)

Stakeholder Engagement Efforts

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin	
Customer (Page 284)	 Daily sales activities Contact Centers Showrooms Dialogue during repair visits "Thank You" sales events and product explanations at distributors Website and social media 	Sales divisions Service divisions General affairs divisions	
 Shareholders and investors (Page 498) 	 Shareholders' Meeting Briefings for analysts & investors and respond to individual requests for information Integrated Report, business reports Information for investors on Website 	General affairs divisions Corporate communication divisions	
Procurement business partners (Page 493)	 Daily procurement activities Supplier briefings Supplier Quality Conferences Quality audits 	Procurement divisions	
> Employees (Page 317)	 Daily dialogue Interviews based on employee self-assessments Labor-management council meetings, labor union council meetings Group Management Meeting Global managers' meetings 	All divisions Human Resources Division Corporate Planning Department	
National and local governments (Page 502)	 Dialogue with government representatives in each country Dialogue with UN representatives 	Group companies Daikin bases	

Stakeholders	Main dialogue methods and opportunities	Main dialogue representatives at Daikin
 Universities and academia (Page 370) 	Air Conditioner Forums (Konwakai)Joint research and joint development	Public relations divisions Research divisions
> Other businesses, industries (Page 385)	Joint research, joint developmentParticipation in industry events	Research divisions CSR divisions
> NPOs, NGOs (Page 502)	Dialogue with NPOs and NGOs	CSR divisions
> Communities (Page 516)	 Informing local community of emergency disaster drills Factory tours Involvement with local groups and events Providing environmental education 	Group companies Daikin bases CSR divisions

DIALOGUE WITH SHAREHOLDERS AND INVESTORS

Basic Policy

Based on Our Group Philosophy's policy of "With Our Relationship with Society in Mind, Take Action and Earn Society's Trust," Daikin Industries, Ltd. believes in its responsibility to shareholders and investors to abide by laws, conduct corporate activities with the utmost in ethics, and earnestly disclose information to ensure transparency of management.

For company-related information such as decisions and occurrences, in line with the rules of the Tokyo Stock Exchange, we disclose timely information on the stock exchange's TDnet online system, and promptly on the Daikin website. Even for information that we are not legally obligated to promptly disclose, we do everything possible to release information that we believe will help the investment decisions of shareholders and investors.

Related information

> Disclosure Policy <a>Disclosure Policy (https://www.daikin.com/investor/management/disclosure/)

Disclosing Information in a Fair and Timely Manner

Maximizing Information Disclosure through Briefings and Our Website

Daikin Industries, Ltd. conducts a range of IR activities aimed at improving understanding in areas like our company's current state and management philosophy for shareholders and investors.

For analysts and institutional investors, we hold financial performance briefings every financial quarter. In addition, we speak with investors over 400 times a year through business briefings, plant tours, sustainability briefings, and face-to-face meetings. For individual investors, we also hold company briefings several times a year.

Furthermore, in order to ensure fair disclosure of information to everyone, regardless of whether they are institutional or private investors in Japan or other countries, we strive to disclose IR information in English and actively disseminate information on our corporate website.

More than 120 analysts and investors took part in the sustainability briefings held virtually in fiscal 2021. This briefing highlighted the "Challenge to Achieve Carbon Neutrality," which was one of the growth strategy themes identified in the Fusion 25 Strategic Management Plan. We presented the Group's plan to contribute to a sustainable society and achieve growth through harnessing the strength in our environmental and energy-saving technologies and held discussions.

In addition, we also actively engaged in individual dialogue sessions with institutional investments on themes pertinent to sustainability and ESG. In fiscal 2021, we held dialogue on the progress of Environmental Vision 2050, which aims to achieve net-zero greenhouse gas emissions by 2050 based on the TCFD Framework.

We will continue to stress dialogue with all shareholders and investors and do everything we can to disclose information through a range of media.

Respect for Exercising Voting Rights

Helping More Shareholders Exercise Voting Rights

To ensure that shareholders have more time to consider new proposals before voting at the Ordinary General Meeting of Shareholders, we send announcements of the meeting at least a week earlier than is legally required. We also promptly post the information on the Daikin website and on the website of the Tokyo Stock Exchange at least a week before we send it.

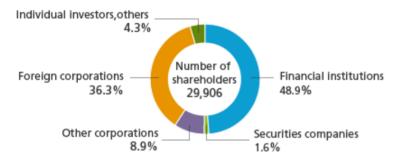
To remedy the discrepancy in information available in Japan and other countries, we translate announcements of shareholder meetings into English and send these to overseas institutional investors, we have an English version of our website, and we post the results of shareholder voting on our website. We strive to get as many shareholders as possible to exercise their voting rights by allowing voting over the Internet: those who cannot attend meetings in person can still exercise their voting rights by personal computer or smartphone. We have also adopted a platform for exercising voting rights, which makes it even easier for institutional investors to vote.

As a result of these efforts, the percentage of voting rights exercised reached 91.42% in the 119th Ordinary General Meeting of Shareholders held in June 2022. The number of votes cast over the Internet also increased to 1,968,501 (3,593 shareholders).

Voting Rights Exercised

	The 115th Ordinary General Meeting of Shareholders (held in June 2018)	The 116th Ordinary General Meeting of Shareholders (held in June 2019)	The 117th Ordinary General Meeting of Shareholders (held in June 2020)	The 118th Ordinary General Meeting of Shareholders (held in June 2021)	The 119th Ordinary General Meeting of Shareholders (held in June 2022)
Voting rights exercised	89.53	87.41	89.20	89.37	91.42
Votes cast over the Internet	1,744,888	1,754,167	1,897,714	1,884,731	1,968,501
Shareholders voting online	1,020	1,290	1,826	2,730	3,593





DIALOGUE WITH GOVERNMENT AND INDUSTRY GROUPS

Dialogue with Experts and CSR-Related Groups

Worldwide Air Conditioner Forums, "Konwakai," Discuss the Future of Air Conditioning

Since 1995, Daikin has been holding Air Conditioner Forums (Konwakai) in Japan to exchange opinions with experts on the future of air conditioning.

Since fiscal 2007 these Konwakai have spread worldwide: to Europe, China, the U.S., Asia/Oceania, and Latin America. At each Konwakai, we exchange ideas and opinions on environment and energy with local experts, and the information we gather is reflected in the development of technologies and products, and in how we pursue business.

Given the background of sharply rising interest in indoor air quality in the middle of the pandemic, and each country shifting toward decarbonization, in fiscal 2021, we held Air Conditioner Forums (Konwakai) both online and in person in Japan and North America, and held it online for other countries. There were 127 participants from 17 countries outside of the Daikin Group. Participants conducted discussions on the theme of Indoor Air Quality (IAQ), Indoor Environmental Quality (IEQ), and decarbonization.



North American Advisory Forum (Konwakai)

Fiscal 2021 Air Conditioner Forums (Konwakai)

Region	Meeting	Main discussion topics	Date	Location	External participants
North America	North American Mini Konwakai Series 3	 Indoor air quality and COVID-19 Daikin's sustainability (once postponed due to the severe winter storm that occurred in Texas last fiscal year) 	April	Online	11
North America	North American Advisory Konwakai	North American strategy and environmental technology in Daikin's medium-term management plan	November	ln person	9
Europe	Originally scheduled as in-person meeting but postponed last minute-				
Asia / Oceania	Asia / Oceania Mini Konwakai Smart City Expert Meeting	Presentation on contribution to ZEB (net zero energy building) and SLE (super low energy), and example of initiatives for DX	November	Online	8

Region	Meeting	Main discussion topics	Date	Location	External participants
Asia / Oceania	Asia / Oceania Mini Konwakai IEQ Expert Meeting Vol. 2	Trends in national standards related to ventilation and air purifiers in each country, shift in market trends in the demand for IEQ, and balancing IEQ with energy conservation	November	Online	8
Latin America	The 5th Latin American Konwakai Session 1	Initiatives and challenges of achieving net-zero emissions by 2050	December	Online	24
Latin America	The 5th Latin American Konwakai Session 2	Initiatives and challenges of switching to next generation refrigerants	March	Online	24
Japan	The 20th Air Conditioner Forum (Konwakai)	Sustainable society post- pandemic: changes in buildings and equipment resulting from COVID-19 and the future	May	Hybrid	20
Japan	The 21st Air Conditioner Forums (Konwakai)	Sustainable society post- pandemic: trends regarding standards and guidelines on indoor environment, equipment, and buildings in the new era	January	Hybrid	23

Opinion exchange and information sharing with industry groups

As part of its stakeholder engagement, Daikin participates in industry groups and actively engages in opinion exchange and information sharing.

Daikin is a member of the Japan Refrigeration and Air Conditioning Industry Association (JRAIA). JRAIA has established committees, with expert members from its affiliated companies to conduct regular meetings for discussions and information sharing pertaining to the future of the refrigeration and air conditioning industry. As part of the activity, Daikin provides cooperation on the research and administrative measures on climate related issues, and conducts inspections and certifications on the environmental performance of refrigeration and air conditioning equipment and their test devices.

Multiple employees of Daikin are members of one of JRAIA's expert committees, the Environmental Planning Committee. The committee is involved in discussions such as improving energy efficiency of refrigeration and air conditioning equipment that also contributes to reduced impact on climate change, and the use, selection of, and policy on appropriate refrigerants. In addition, Daikin is also involved in the operation of the International Symposium on New Refrigerants and Environmental Technology hosted by JRAIA once every two years.

Active Information Exchange with International Organizations and NPOs and NGOs

We take every possible opportunity to exchange opinions with a range of international organizations and NPOs and NGOs on topics such as the environment and energy.

We are looking to increase the frequency of such information exchanges as we study the direction that Daikin's environmental actions should take.

Participation in Initiatives

Daikin actively participates in a number of initiatives. We hold discussions and exchange information on our approach to CSR and initiatives as well as strive to enhance activities and improve initiatives while working closely with other companies.

Initiatives and Groups We Participate In

Eco-First Program	The Eco-First Program was established by the Ministry of the Environment in 2008 to promote industry-leading companies to take action toward environmental conservation. Companies pledge to the Minister of the Environment to implement their own environmental conservation initiatives. We were certified as an Eco-First Company by the Minister of the Environment in November 2008. S Endorsement as an Eco First Company (Page 267)
UN Global Compact	 We have participated in the UN Global Compact for sustainable growth since 2008. The Global Compact requires participating companies from around the world to support and implement the 10 principles covering the four areas of human rights, labor, environment and anti-corruption. Participation in the Global Compact (Page 65)
Task Force on Climate- related Financial Disclosures (TCFD)	In May 2019, we stated our endorsement of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB) in order to promote the disclosure of business risks and opportunities attributed to climate change.

Japan Climate Initiative (JCI)	A network for increasing information dissemination and discussions among companies, local governments, and NGOs actively engaged in climate change countermeasures, which we have participated in since September 2020. In June 2022, we endorsed the message from the JCI that states: Now is the time to accelerate renewable energy deployment—calling for stronger climate change action in the midst of the fossil energy crisis.	JAPAN CLIMATE INITIATIVE
Keidanren's Challenge Zero	Challenge Zero is an initiative run by Keidanren (Japan Business Federation) in collaboration with the Japanese government to disseminate and promote innovations domestically and internationally by companies and groups for realizing a decarbonized society. We have participated in Challenge Zero since September 2020.	Challenge Zero
Japan Clean Ocean Material Alliance (CLOMA)	Japan Clean Ocean Material Alliance (CLOMA) is a platform for strengthening collaboration and accelerating innovation among a wide range of affiliated members that transcends industry types in order to address the issue of ocean plastic waste. Daikin has become a member of CLOMA since 2019.	C L O M A

Daikin Cooperates in Formation of Environmental Policy

As it does business in countries around the world, Daikin ties up and cooperates with national and local governments and industry groups to come up with proposals and to call on all parties concerned for the betterment of society.

We plan to continue proactively disclose useful information with countries around the world.

Recent international initiatives (5-year period)

Fiscal 2017	-	Sri Lanka	Recovery and recycling	Worked on the development of a scheme for disseminating air conditioners using low-GWP refrigerants, as well as recovering, recycling, and destroying refrigerants as part of a jointed entrusted research project by the Ministry of the Environment aimed at supporting developing countries.
Fiscal 2018	-	Mexico	Energy conservation	Conducted the promotion of inverter air conditioners using R-32 refrigerant as part of the Collaboration Program with the Private Sector for Disseminating Japanese Technology under the Japan International Cooperation Agency (JICA).

	-	Mexico	Energy conservation	Continuing from fiscal 2019, provided ongoing support to promote switch to low GWP refrigerants and high efficiency air conditioners
	-	Brazil	Energy conservation	Embarked on the Collaboration Program with the Private Sector for Disseminating Japanese Technology under the Japan International Cooperation Agency (JICA), and implemented activities to promote inverter air conditioners through collaboration with international agencies
Fiscal 2019	-	Saudi Arabia	Energy conservation	Demonstration testing was conducted as part of the JCM Feasibility Study by the Ministry of Economy, Trade and Industry. Assistance was provided on implementing necessary international standards for the appropriate evaluation of inverter products.
April U.S.	Energy conservation	We invited a delegation of 18 members including U.S. senators from California to visit our company where we introduced our initiatives. During the same month, we visited the U.S. and showcased our environmental technology during an individual interview with the California Air Resources Board and exchanged ideas on decarbonization.		
	May	Global	Recovery and recycling	We gave a lecture on our initiative on recovering and reclaiming refrigerants at the Global Dialogue with the Private Sector on Technology Solutions for Holistic Waste Management held by the United Nations Environment Programme (UNEP)

	June	Global	Energy conservation	Display of actual model of R-32 and inverter at the exhibit adjacent of the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth.
Fiscal 2019	October	Brazil	Energy conservation	Invited government officials from Brazil to share our information on technology at the Technology and Innovation Center (TIC) and exchanged ideas with the Ministry of Economy, Trade and Industry and the Energy Conservation Center, Japan.
	November	Brazil	Energy conservation	Presentation on R-32 and invertors at the Manaus Environmental Fair following an invitation from the government of Brazil
Fiscal 2020	_	Global	Recovery and recycling	We declared our agreement to the initiative and declared our cooperation to the activities on fluorocarbon life cycle management as a private sector company that was promoted by Minister of the Environment Koizumi at COP25 in December 2019, endorsed by the Government of Japan and Ministry of the Environment
	-	UAE	Energy conservation	Provided assistance on adopting international standards necessary for appropriate evaluation of inverters.

	July	Brazil	Energy conservation	With past activities bearing fruit, the energy efficiency standards were amended in July 2020. We provided assistance on developing rules to appropriately evaluate the environmental performance of products.
Fiscal 2020	September	Tanzania	Energy conservation	We applied for and got accepted into JICA's SDGs Business Support Program in order to accelerate measures aimed at resolving issues such as health maintenance, enhancing productivity, human resource development and employment, and stable supply of electricity that are necessary for the develop of countries in which we aim to expand business through subscription service of high efficiency air conditioners. We are scheduled to start our activities within fiscal 2021.
	February	Latin Americas	Energy conservation	Presentation on our initiative on increasing the efficiency of air conditioners and adopting lower GWP refrigerants at the Super-efficient Equipment and Appliance Deployment (SEAD) Workshop targeting Latin America co-hosted by the International Energy Agency (IEA) and the government of the U.K. as the host country of COP26.

	March	Global	Energy conservation	At the 6th Annual Global Conference on Energy Efficiency hosted by the International Energy Agency (IEA), our Executive Officer in charge of Global Environment presented our energy conservation initiatives for air conditioners.
Fiscal 2020	March	Global	Recovery & recycle	Daikin participated in the training on Initiatives for Fluorocarbon Life Cycle Management and high-efficiency non- fluorocarbon equipment in Japan hosted by the Ministry of the Environment for seven Asian countries where we showcased our contribution to reducing the greenhouse effect through promotion of Daikin's low GWP refrigerants and inverters, as well as its cooperation on the refrigerant recovery and recycling scheme.

	April	Global	Energy-saving	Daikin Airconditioning India Pvt. Ltd., and Daikin Industries, Ltd. applied together with Nikken Sekkei Ltd. to the Global Cooling Prize held in India, and received the Grand Prize for its air conditioning system that has greatly reduced overall environmental impacts than standard models.
Fiscal	June	Middle East and Africa	Energy-saving, refrigerant	Presented information on the necessary policies to spread inverter models, and greenhouse gas emissions reduction via R- 32, and exchanged ideas with government affiliates from countries in the Middle East and Africa based on demonstration experiments conducted in the past two years in Saudi Arabia and UAE.
2021	August	Global	Energy-saving	Shared Daikin's policy and future directions through dialogue with the UN COP26 High Level Champion Secretariat, and conducted discussions and shared ideas on the importance for the cooling sector to take action to combat climate change as well as its current challenges.
	November	U.S.	Decarbonization	Exhibition of actual heat-pump at the Cold Climate Heat Pump Challenge hosted by the United States Department of Energy, which was attended by Vice President Harris.
-	January	Global	Recovery & recycle	Continued to participate in the training on Initiative on Fluorocarbon Life Cycle Management and high-efficiency non- fluorocarbon equipment in Japan hosted by the Ministry of the Environment since March, and demonstrated the proper air conditioner installation method.

Related information

Feature of Fiscal 2020: Environment—Creating Standards for a Decarbonized Society Alongside Stakeholders

(https://www.daikin.com/csr/feature2020/01)

- Feature of Fiscal 2018: Environment—Promoting the Spread of Energy Efficient Technology through Dialogue and Collaboration with Governments and International Agencies (https://www.daikin.com/csr/feature2018/01)
- Feature of Fiscal 2019: New Value Creation—Delivering Healthy and Comfortable Air Environments and Spaces to Africa with Collaborative Innovation (https://www.daikin.com/csr/feature2019/02)



Sustainability Report

2022 -Web version-(As of November 2022)

Communities

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Foundational Themes Communities



Policy

Create strong bonds with communities as a good corporate citizen

Why is it important?

Daikin is expanding its business footprint particularly outside of Japan amid growing demand for air conditioners. To facilitate the operations of our bases, we believe it is vital to develop relationships of growth and contribute to community development as a member of the community, while considering the cultural and historical backgrounds of each location.

Daikin's Approach

We are working on employee-led social contribution activities that benefit communities through contributions to protecting the environment, supporting education, and harmony with communities, under the assumption of fulfilling social responsibilities such as job creation and collaboration with local companies. We aim to contribute to solutions to social issues and grow together with local communities while respecting each country and region's culture and history.

Daikin's Philosophy of Social Contribution

(Page 518)

We aim to be a company firmly rooted in the regions where we do business and we strive to contribute in ways that benefit each region.

> Protecting the Environment

(Page 519)

The Daikin Group provides people around the world with a clean air environment, and we contribute to solving environmental problems on a global scale.

> Supporting Education

(Page 524)

The Daikin Group contributes to society through state-of-the-art technologies, and we support the education of future generations in order to contribute to the advancement of technology and the creation of a sustainable society.

Harmony with Communities —Strengthening Bonds

(Page 533)

We provide the regions where we do business with the support they need in order to help them progress proactively. To achieve harmony with communities, we contribute to the promotion of the culture and art

Harmony with Communities

> —Contributing to Promotion

(Page 563)

of Art and Culture

of each country and region.

Harmony with Communities —Contributing to Promotion of Sports

(Page 567)

To achieve harmony with communities, we contribute to the promotion of sports in each country and region.



Here is a list of all the social contribution activities undertaken by the Daikin Group around the world.

Related information

- > Report by Business Site (https://www.daikin.com/csr/report/site_data)
- > "Forests for the Air" Project 📮 (https://www.daikin.com/csr/forests)

DAIKIN'S PHILOSOPHY OF SOCIAL CONTRIBUTION

Basic Policy

Three Pillars: Protecting the Environment, Supporting Education, Living in Harmony with Communities

The Daikin Group does business globally and strives to be a locally rooted company wherever it operates, with its employees taking the initiative in conducting activities that are valuable to local society. Our Group Conduct Guidelines are the basis for action that Daikin employees must take, and they clearly state our aim of being a good corporate citizen that is trusted by society.

Under our Group Conduct Guidelines, based on our three pillars of protecting the environment, supporting education, and living in harmony with communities, we use our management resources to contribute to society in every way possible.

1. Protecting the Environment

As a worldwide provider of pleasant air environments, we contribute to solving environmental problems on a global scale. A particular focus is on activities that ensure we pass on to future generations the forests that nurture our Earth's precious air.

2. Supporting Education

By contributing state-of-the-art technologies to society, we support education for future generations and help build a society where both technological advancement and sustainability are possible.

3. Living in Harmony with Communities

In conducting our business around the world, we help communities to progress proactively by providing them with the support they need in the areas of local culture, arts, sports, and disaster relief.

Daikin values its partnership with communities. We strive to contribute to society by donating money and goods, volunteering in various activities, and holding community events.

Social Contribution Expenses

	2017	2018	2019	2020	2021
Total (millions of yen)	1,623	1,415	1,477	1,292	1,388

Communities PROTECTING THE ENVIRONMENT

Basic Policy

Daikin works with a range of groups, including governments, local citizens, and NGOs, to protect and rejuvenate precious natural environments around the world as well as the natural environments around Daikin's worldwide bases.

Examples of Initiatives

"Forests for the Air" Project Underway in 7 Locations Worldwide

Daikin works together with international NGO Conservation International (CI) and the Shiretoko Nature Foundation in carrying out the "Forests for the Air" project in seven regions around the world. In Shiretoko (Japan), Indonesia, Brazil, Cambodia, India, China, and Liberia, Daikin employees, local governments, NGOs, and customers cooperate in efforts to help locals earn a livelihood while also protecting forests. The goal by 2024 is to protect forests covering some 11 million hectares and contribute to reducing 7 million tons CO₂ emissions. Through forest protection, the project aims to solve social problems like poverty and contribute to achieving the Sustainable Development Goals (SDGs).

Related information

> "Forests for the Air" Project 🗖 (https://www.daikin.com/csr/forests)

Daikin Supports Environmental Protection on the Shiretoko Peninsula

In July 2011, Daikin, the Shiretoko Nature Foundation, and the towns of Shari and Rausu signed an agreement to protect the wilderness of the Shiretoko Peninsula, a UNESCO World Natural Heritage Site. In 2016, the parties signed an agreement for the second phase of this effort as part of Daikin's "Forests for the Air" project, under which Daikin will provide donations and send volunteers for a period lasting until the end of March 2024. By supporting Shiretoko 100 Square-Meter Movement, providing environmental education, and helping ensure that the human and brown bear populations live in harmony, we are striving to preserve the forests of Shiretoko for future generations.

Through these activities, we hope to not only contribute to the revitalization of forest in Shiretoko, but also foster human resources who can take ownership of global environmental issues and take action by sharing the importance and significance of conserving the natural environment with many people.

In October 2021, nine employee volunteers carried out the activities, as well as a 10th year anniversary debriefing session was held. The session was attended by directors and employees representing Daikin, mayors and deputy mayors of Shari and Rausu towns, and university professors who are experts on forestation. The participants shared presentations on the progress at each town and evaluation of their forestation, and confirmed future directions.



Daikin volunteers (February 2020)

Daikin volunteers (October 2021)

Wild animals in Shiretoko



Brown bears



Yezo deer



Steller's sea eagle



Pink salmon

Related information

> Protecting the Natural Environment of Shiretoko: People and Nature Living in Harmony 🗖

(https://www.daikin.com/csr/shiretoko)

Working on Reforestation in Indonesia

Since June 2008, Daikin has been working with international NGO Conservation International (CI) on a reforestation project in Gunung Gede Pangrango National Park on Java Island in Indonesia to rejuvenate the forest and its ecosystems. This is part of Daikin's "Forests for the Air" project.

This national park is covered with valuable tropical forests that are home to many unique species designated as endangered. But in the last several decades, there has been rapid deforestation as social problems such as poverty have forced people to clear land for agriculture and cut down trees to support their lifestyle.

Toward solving this problem, Daikin is contributing to reforestation but also offering support to secure alternate livelihoods for residents to reduce their dependence on cutting down trees. So far under this project, about 150,000 trees (local species) were planted on about 300 hectares with the help of 644 local farmers and 20 national park rangers.

We have been supporting farming that utilizes the replanted areas (agroforestry), providing environmental education, and helping residents build a foundation for their lifestyles. We have also helped bring the natural gift of water and hydropower to households in these areas. Thanks to these efforts, residents can enjoy more convenience and sanitation, and better appreciate the importance of the forest, with the result that they are more eager to protect their natural resources.

In fiscal 2018, we received a letter of appreciation for our environmental and social contribution activities over the past decade from the government of Indonesia. The letter recognizes our contributions to the revitalization of forest that serves as a water source for Indonesia's capital of Jakarta as well as our contributions to solving social issues faced by local communities, such as poverty and education.

Through forest conservation activities like this, Daikin is contributing to the achievement of SDGs by helping solve social problems such as poverty.



The seedlings planted have grown into trees ©Conservation International, Photo by Anton Ario



Helping create a livelihood for local farmers: Preparing cucumbers grown in the planted forest to be sold in the market

©Conservation International, Photo by Anton Ario



Letter of appreciation received from Indonesia's Ministry of Environment and Forestry



Start of activities in 2008

Today

A decade of change at Gunung Gede Pangrango National Park

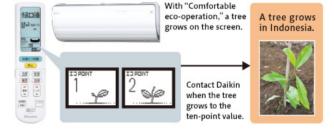
The Reforestation Project in Indonesia Is a Joint Effort between Daikin and Customers Who Use Our Products

The reforestation project allows Daikin customers to contribute to reforestation while they enjoy operating their air conditioners in an energy efficient way.

Each time a customer in Japan pushes the "Comfortable eco-operation" button on the remote control of Daikin's Urusara (R-Series) residential air conditioner, an illustration of a tree on the remote control's screen grows a little bigger. When the tree becomes full grown (when 10 points are accumulated), the customer contributes to tree-planting activities and his or her name is listed as one of the supporters at a site of a reforestation project.

In fiscal 2021, 215 customers have registered in the project.





The board shows the names of Daikin customers who support reforestation

Related information

- > "Projects in Surrounding Neighborhoods" (Protecting Biodiversity) (Page 258)
- > "Efforts at Bases" (Protecting Biodiversity) (Page 253)

Communities SUPPORTING EDUCATION

Basic Policy

Daikin, through its local companies, supports education for youth. By conducting grass-roots activities such as donating financial aid and offering technical courses, we seek to cooperate with and gain the trust of local communities.

Efforts in Japan

Daikin Develops the "Circle of Life" Free Environmental Education Program on Biodiversity for Elementary School Children

Daikin Industries, Ltd., in cooperation with NGO Conservation International (CI), our partner in reforestation activities, has developed an environmental education program called "Circle of Life," to teach elementary school children about biodiversity.

The program focuses on Daikin's reforestation efforts in Indonesia. The lessons keep children interested and eager as they take part in role-playing and other activities that teach them how changes in ecosystems affect their lives and how their lives in Japan are related to the world's environmental problems. The course covers four lessons in the classroom, and schools can request to have extra lessons taught by Daikin employees.

Since April 2010, Daikin has been providing schools all over Japan with free teaching materials. In fiscal 2021, approximately 700 students from 10 schools took part in the program. We dispatched Daikin employees to give lessons at five schools.

In fiscal 2014, for its Circle of Life education program, Daikin received the Award for Excellence at the Career Education Awards sponsored by the Ministry of Economy, Trade and Industry of Japan.



Students role-play in a forestry issues discussion



A Daikin Industries, Ltd. employee leads an environmental lesson at a school

Related information

Circle of Life" Environmental Education program (available in Japanese only) (https://www.daikin.co.jp/csr/edu)

Daikin Leads Science Classes at Elementary Schools

In support of the Sakai Municipal Board of Education's initiative to implement special classes on science, Daikin employees take on the role of teachers in science experiments in schools. The children conduct actual experiments in which, for example, they see how an air conditioner conveys heat and cools the air, and how an air purifier uses electricity to collect dust. The event was held at four elementary schools with 340 students participated in fiscal 2021.



Classroom science experiment using an air conditioner

Science Classes at Junior High Schools

Since fiscal 2015, we have been collaborating with Osaka Prefecture University on a program to teach experiment-based science classes at junior high schools in Sakai City, Osaka Prefecture in order to foster the next generation of scientists and engineers. With the aim of giving youngsters the opportunity to think and act with an open mind, Daikin employees take the part of instructors in leading science experiments and students tour Daikin facilities. The event was not held in fiscal 2021 due to the COVID-19 pandemic.



Fostering the next generation of scientists and engineers

Participation in Local Education Programs

Following a request from the Kamisu Municipal Board of Education, the Kashima plant has been conducting educational presentations at local elementary schools since 2010 to get children interested in science. Members of the company's Security Control Department, Chemicals Division, Kashima Plant Manufacturing Department, and Engineering Department take the role of instructors and give upper-class students hands-on lessons.

Daikin brought enough teaching materials and equipment for all students to observe and take part in experiments and thus ensure that each and every student experienced firsthand the joy of science. The program is improved each year by having students write their feelings and opinions following the classes.

Although the event was not held in fiscal 2021 due to the COVID-19 pandemic, we opened the Daikin lesson by employees to families of employees and local residents during the pre-opening of the Kashima Integrated Production Center.



Daikin employees (from the Kashima Plant) lead an elementary school class

Factory Tours for Elementary and Junior High School Students

We open our plants to the community by conducting tours for elementary and junior high school children. The following are some of the initiatives undertaken at each business site in fiscal 2021.

The Yodogawa Plant hosted 146 lower primary students from neighborhood elementary schools on tours of the applied products' production line and around the forest on premise on an autumn themed walk. Visitors were able to get close to nature, including animals, plants, and insects such as acorns, autumn leaves, and Japanese rice fish. We received feedback such as "I had a wonderful experience that replaced the cancelled excursion during the COVID-19 pandemic."

At the Shiga Plant, tours were conducted for 300 students from five elementary schools in and around Kusatsu City with strict adherence to social distancing, sanitization and ventilation. In addition to observing the residential air conditioner manufacturing process, the students also learned about the environment in a sitdown lecture.

No events were held at the Rinkai Factory of Sakai Plant or Kashima Plant in fiscal 2021.



A factory tour at the Yodogawa Plant



Walking tour at Yodogawa Plant



Walking tour at Yodogawa Plant



Walking tour at Yodogawa Plant



Experience our technology at TIC "Knowledge Forest"



Experience our technology at TIC "Knowledge Forest"

Hands-On Events Foster Interest in Technology

Events such as science experiments for students and air conditioner disassembly for elementary school students are held. Through hands-on activities such as taking apart air conditioners to see how heat pumps work, participants understand the importance of the environment and what Daikin is doing to protect it. As part of the environmental education, we also host lectures by a weather forecaster on preparing for disasters caused by global warming.

We did not hold any events in fiscal 2021 due to the COVID-19 pandemic.



Hands-on event at fuha:TOKYO

Related information

> fuha, Daikin's hands-on showrooms (available in Japanese only) 📮 (https://www.ac.daikin.co.jp/fuha)

Supporting Japanese Students Studying Overseas

At Daikin Industries, Ltd., each global base, TIC and the Global Operations Division work together to provide global internships for students as part of the comprehensive partnership agreement with the University of Tokyo. Around 50 students took part in fiscal 2019, the first year of the program. Around 22 bases partook in the internship program.

Although we were not able to dispatch any students overseas in fiscal 2021 due to the impacts of the COVID-19 pandemic, we hosted the Global Internship, which enabled students to virtually interact with Daikin employees around the world online as a replacement program. The event was participated by 23 students.

In addition, Daikin sponsors a program, run by the Ministry of Education, Culture, Sports, Science and Technology, to send Japanese high school and university students overseas. By providing this program through scholarships and other means, Daikin Industries, Ltd. is contributing to more opportunities for young Japanese to see the world and grow into global citizens who respect a wide range of values. While our sponsorship was scheduled to end, we have decided to renew our sponsorship up to fiscal 2022 in order to support the university students who were unable to go overseas due to the COVID-19 pandemic.



Related information

 Collaboration with the University of Tokyo (Collaborative Innovation Led by Industry-Government-Academia Partnerships) (Page 371)

Efforts Overseas

Training Technical School Students in Emerging Countries

We offer scholarships and take in interns as part of efforts to provide technical school students in emerging countries with better employment opportunities. We also have tours of our worldwide factories to raise interest in technology among local students. Further, Daikin donates air conditioners to technical schools used for instruction in technical training and supports the development of engineers essential for the spread of air conditioning.

For example, at Daikin Industries Czech Republic s.r.o., we concluded an agreement with the University of West Bohemia in fiscal 2021. In addition to the existing scholarship and trainee programs available to technical students, we will introduce lectures hosted by Daikin Industries Czech Republic. We expect the training programs to bear fruit in the future as we have seen a past program participant now serving as an assistant manager on the development team.



Visitors to the Solution Plaza (Daikin Turkey)



Unique training course provided to local university and vocational school students (Daikin Air-conditioning (Shanghai) Co., Ltd.)

Related information

- > "List of Support for Education" (List of Daikin's Social Contribution Activities) (Page 531)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data)

Communities HARMONY WITH COMMUNITIES— STRENGTHENING BONDS

Basic Policy

We want to be a good corporate citizen by being keen to the problems of the communities we operate in and conducting activities that lead to solutions.

Employees at regional Daikin bases have planned ways to interact with local communities.

Employees will continue to be front and center by listening to the needs of the community: this will make Daikin a known and trusted member of local society.

Building Trust with Communities

Responding Sincerely to Opinions from Local Communities

Each company site has an office or representative assigned to promote communication with local communities. Assigned personnel hold regular meetings with local community representatives and take other measures to proactively promote company-community interactions and receive any community complaints. And with the aim of being a plant open to the community, each Daikin company site welcomes community associations and citizens for factory tours.

A Safe Plant Open to the Community

The Daikin Group does all it can to make its plants safe so that nearby residents can live in peace of mind. When there is noise or vibration from operations of a plant, we set up a number that residents can call so that we can quickly deal with any complaints.

Besides group meetings with community associations to discuss topics like safety and disaster prevention, Daikin plant employees take part in local disaster prevention drills as part of their efforts to work with the community in making Daikin facilities safe.

Disaster Preparedness and Disaster Prevention Drills at All Sites

The Daikin Group has measures in place at all sites should there ever be a natural disaster. Besides providing our factories as evacuation site in the event of a disaster, we have supplies of food, water, and emergency equipment.

Daikin sites hold disaster prevention drills every year, which are analyzed afterwards to study ways to improve disaster prevention measures. Daikin bases in Japan have introduced an employee safety confirmation system for determining and whereabouts and safety of employees when disaster strikes.

Related information

> Safety and Disaster Prevention at Plants 🛨 (Page 539)

Interactions with Local Communities (Japan)

Deepening Interactions with Local Communities

Daikin realizes the importance of interacting with local residents as a member of the community. With the establishment of the Local Community Section within the Company in 1973, today each company plant makes efforts to interact directly with local communities in order to contribute to abundant lives and lifestyles. We will continue to value our relationship with nearby citizens and strive to be a company known and loved for its contributions to society.

Also as part of efforts to be a trusted and valuable member of society, we hold factory tours, summer festivals, and other events to promote communication and understanding between Daikin and communities.



Daikin Bon dance festival

Deepening Community Relations around the World at Summer Bon Dance Festivals

The Daikin-sponsored traditional Bon dance festival is a major event attracting large crowds of locals every summer. The Bon dance festival began in 1971 as a social gathering for young employees of our Yodogawa Plant, and later expanded into a program open to the community and eventually grew to encompass the entire area. The event has evolved into one of Japan's largest corporate-sponsored Bon dances events and has been reported in media around the world as a successful example of interactions between companies and the community. While the Bon dance festival had been held each year in major global production bases such in China and the U.S., the event was cancelled in these regions due to the COVID-19 pandemic in fiscal 2021.



The Bon dance at Daikin America, Inc. welcomed 20,000 locals



Letter of Appreciation from Kamisu City

Conducting Neighborhood Cleanup and Beautification Activities

Employees at each plant in Japan regularly pick up litter and pull up weeds in the surrounding areas.

At the Yodogawa Plant, regular cleanups have been held since fiscal 2003. In addition, Daikin employees also took part in a cleanup of the Ajifu canal around the plant together with the local Ajifu Canal Preservation Society since 2009, with more than 120 taking part every year.

Once a month at the Sakai Plant, employees take turns joining a Sakai City beautification program to pick up litter and create a pleasing local environment. About 50 employees take part in each activity.

At the Shiga Plant, a cumulative total of 1,500 employees took part in three cleanups of the surrounding area during the year aimed at totally eliminating litter.

At the Kashima Plant, we conduct monthly cleanups around the perimeter of the plant. A total of 350 employees took part from September to November.

The Tokyo Office signed an agreement for an adopt-a-forest program with the local government of Minato Ward in Tokyo and has been conducting monthly cleanup activities around the Konan entrance of JR Shinagawa Station. (The activity was partially cancelled in fiscal 2021 due to COVID-19)



Yodogawa Plant employees cleaning up a waterway



Letter of appreciation for waterway cleanup



Tokyo Office employees conduct a cleanup

Interactions with Local Communities (Overseas)

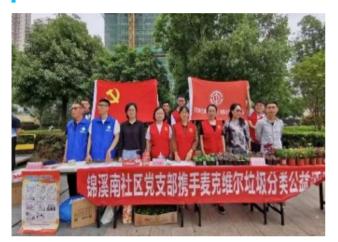
Contributing to Communities around the World

Daikin meets local needs by interacting with and contributing to each of the communities it is located in.

Daikin bases overseas also provide locals with factory tours whenever possible in order to gain citizens' understanding and be a company truly rooted in the community.

Employees at Daikin's worldwide bases take part in cleanups of surrounding areas and scenic spots.

McQuay China (Suzhou)



We participated in the Creating Harmonious Parks project hosted by the upper labor union. We were involved in the planning and execution of three activities, including garbage sorting promotion at Jinxi South Community, a charity sale at Dongshazhou Street, and the Hungry Ghost Festival.

Daikin Turkey A.S.



We donated supplies including medicines, masks, fireproof pipes, and protective gloves for the forest fire along the Aegean Sea in August 2021.

Related information

- > "List of Activities for Local Citizens" (List of Daikin's Social Contribution Activities) (Page 601)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data)

Safety and Disaster Prevention at Plants

Support for Firefighting

Site	Activity	Overview, results
Sakai Plant	Formation of in-house firefighting unit	The plants formed an in-house firefighting headquarters team, and in each division a firefighting district unit was formed. During a large-scale disaster, the head and deputy head of the in-house firefighting division along with the general affairs, security, facility, and rescue teams will establish a headquarters team and conduct evacuation training for the safety of employees following the instructions of the headquarters team. The in- house firefighting units of the district will carry out initial fire suppression activities using fire extinguishers and fire hydrants. The rescue team will carry out search and rescue activities using whistles in case of any missing persons. The drills are conducted repeatedly four times a year at Rinkai Factory and twice a year at Kanaoka Factory to ensure that all employees can safely evacuate.

Site	Activity	Overview, results
Yodogawa Plant	Joined the special firefighting team of Settsu City	Thirteen employees from the Yodogawa Plant joined the special firefighting team of Settsu City, which is the first of its kind in Japan. Since January 2010, in the case of a large fire in the Settsu area, the Yodogawa Plant firefighters drive their fire engine to the scene and help under the guidance of the Settsu City Fire Department. Since Yodogawa Plant firefighters took part in Settsu City's New Year's firefighting parade in January 2020, the parade was cancelled in 2021 and 2022 due to the COVID-19 pandemic.
Shiga Plant	Formation of in-house firefighting unit Collaboration with the Konan Fire Department	The plants formed an in-house firefighting division, and in each workplace a firefighting unit was formed. Captains of each in-house firefighting district unit undergo the in-house firefighting training thoroughly. Deputy captains and district leaders are also encouraged to attend the in- house firefighting training. Conducts firefighting drills twice a year (June, November) and comprehensive disaster prevention drill once a year (September).

Site	Activity	Overview, results
Kashima Plant	Formation of in-house firefighting unit	An organization was set up with separate units to handle firefighting, guidance, rescue, and information provision in case of a fire. The firefighting units keep the fire in check until the local fire department arrives.
Soka Station	Formation of in-house firefighting unit	 Each division formed its own in-house firefighting unit. At site disaster drills (April and November each year), the unit conducts evacuation and firefighting drills with the fire department.
Tsukuba Training Center	Formation of in-house firefighting unit	Members in all divisions of Tsukuba site formed their own in-house firefighting units. Once a year they hold evacuation and firefighting drills jointly with the local fire department.
Head Office	Formation of in-house firefighting unit	Units formed in the Head Office and Esaka site. Periodic firefighting drills held.
Tokyo Office	Formation of in-house firefighting unit	A firefighting unit was formed in each division. Once a year, these units take part in a comprehensive drill sponsored by the JR Shinagawa East Building, and they conduct evacuation and firefighting drills.

tion with Neighboring Companies and Residents	
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Site	Activity	Overview, results
Sakai Plant	Cooperation with neighboring companies	Both Rinkai Factory and Kanaoka Factory are registered as Firefighting Cooperating Office with the Sakai Firefighting Department. The factories conduct voluntary firefighting activities, such as fight extinguishing and life saving, in the time of a large- scale disaster as their community contribution activity. The Rinkai Factory is a member of an association of 39 companies in the Sakai and Senboku waterfront areas for disaster prevention. The association has an emergency communication network and meets regularly for various drills.
Yodogawa Plant	An emergency rescue team was formed	There are 110 employees living nearby who are registered. When necessary, a team is gathered by rounding up employees either from their homes or workplace.

Site	Activity	Overview, results
Shiga Plant	Formation of a rescue support system for local disaster victims	 Daikin helps the local government to rescue disaster victims. The plant is provided for use as an emergency shelter for nearby residents (for example, the field is opened up to the public). Certified as AED & emergency cooperating business
	Support of firefighting activities in case of disaster	Registered as a supporting business for emergency firefighting (dispatch industrial physicians and its in-house firefighting unit, and offer the plant as an evacuation shelter.)
Kashima Plant	Communication with neighboring companies	To administrate local matters, Daikin joins with local companies to be the contact point for local government and citizens.

Site	Activity	Overview, results
Soka Station	Agreement signed for regional disaster cooperation	In 2000, Soka Station, Soka City, and five neighboring communities signed an agreement to cooperate in preparing for natural disasters. These three groups have agreed to work together regularly on plans to implement after major earthquakes occur. An expert panel of the Central Disaster Management Council of the Cabinet Office recognized the Soka Station as an outstanding example of a corporation acting as a bridge between local citizens and local government in supporting disaster relief.
	Regional joint disaster drill	Under the disaster agreement, disaster prevention drills are held with neighboring town associations. In June 2019, we conducted a joint drill with the town association of Matsue- kitamachi in Soka City.

Site	Activity	Overview, results
Tsukuba Training Center	Cooperation with neighboring companies	The center is a member of an association of companies in the local industrial park, which shares information on topics like environmental promotion, disaster prevention, and blood donation activities.
Head Office	Cooperation with surrounding businesses	Participation in the disaster prevention training hosted by Umeda Center Building (spring/fall)
Tokyo Office	Cooperation with neighboring companies	Participated in the tenant association of the JR Shinagawa East Building (July), and joined as an observer in disaster prevention drills of the building's restaurants (March). This helped confirm the disaster prevention system of the building.

Contributing to Local Safety

Site	Activity	Overview, results
Head Office	Support for local safety activities	Daikin worked with the Kinki Regional Police Bureau in a safety patrol campaign. Took part in the Sonezaki traffic safety association and the Sonezaki crime prevention association, interacting with local businesses and cooperating in safety promotion.
Sakai Plant	Support for local safety activities	Daikin took part in the North/West Sakai Police Crime Prevention Committee and the North/West Sakai Traffic Safety Association. Participation in the North/West Fire Department Disaster Prevention Association
	Children's protection shelter	The Sakai Plant is registered as a place children can take sanctuary from threats.
	Firefighting cooperation business site	Registered as a business (dispatch of personnel to the community and lending out equipment such as forklift in the time of emergency)
	Disaster prevention drill	Took part in comprehensive disaster prevention drill sponsored by an association of companies in the Sakai and Senboku waterfront areas for disaster prevention.

Site	Activity	Overview, results
	Joint disaster prevention drill held (with participation of local fire and police departments)	Control damage, confirm people's safety (evacuation), hold earthquake drill, hold disaster prevention drill (3 times a year)
		Held competition for how to put on a breathing apparatus and operate a fire hydrant (once a year).
		Large group training was cancelled due to the COVID-19 pandemic in fiscal 2021. Parts training and diagram training were conducted at each workplace.
		Participated in disaster prevention drill held by Osaka Prefecture and Settsu City (once a year). Cancelled in fiscal 2021 due to the COVID-19 pandemic.
Yodogawa Plant	Participation in local safety activities	Took part in disaster prevention drill of Ajifu Elementary School district in Settsu City. We did not participate in the drill in fiscal 2021 due to the COVID-19 pandemic.
		Took part in year-end nighttime patrols.
		Took part in nationwide awareness activities for fire prevention in spring and autumn.
		Took part in nationwide traffic safety campaign.
	Held safety seminars	Held driving safety seminars for suppliers (stressed on-site road safety; twice a year).
		Invited police officer to give employees driving safety seminar (once a year).
	Children's protection shelter	The Yodogawa Plant is registered as a place children can take sanctuary from threats.

Site	Activity	Overview, results
Shiga Plant	Disaster prevention drill	Disaster prevention drill was held once a year for the plant grounds and employee dormitory; fire extinguisher usage competition held (July); plant firefighting drill held (June, November); evacuation drill for earthquakes (September) held.
	Participation in the Fire Prevention Association	The Shiga Plant took part in a disaster prevention training rally in unison with the fire department.
	In-house firefighting unit takes part in a training rally	Cancelled in fiscal 2021 due to the COVID-19 pandemic.
	Disaster prevention drill	Held disaster prevention drill (twice a year), joined fire hydrant usage competition (once a year), held public relations training (once a year).
	Participation in local safety events	Joint disaster prevention drill was held with the fire department as part of cooperation among companies in the industrial park (once a year). Cancelled in fiscal 2021 due to the COVID-19 pandemic.
Kashima Plant		As part of cooperation among companies, once-a-year training was held with firefighters, labor board personnel, and police officers as instructors. The goal was to raise safety and disaster awareness. Cancelled in fiscal 2021.
		Participation in disaster training events with the fire department, labor board, and police department. Cancelled in fiscal 2021.
	Safe driving course held	Police officers were invited to be instructors at a traffic safety training conference once a year (in December) to help drivers improve their road manners.

Site	Activity	Overview, results
abide by rules	Contest to prevent accidents and abide by rules of the road	The Soka Station took part in a rules- of-the-road contest held annually by the police department.
	Hosted safety and environmental class	Held event to raise safety awareness of employees and partner companies prior to the summer season. The class was cancelled due to the COVID-19 pandemic in fiscal 2021. Instead, we promoted awareness through initiatives conducted by each specialized subcommittee.
Tokyo Office	Participation in meeting of Tokyo Metropolitan Police Department to prevent organized crime.	The Tokyo Office took part in scheduled meetings and training sessions. Training sessions during the state of emergency in fiscal 2020 and 2021 were conducted by emailing training materials.
	Participation in local disaster training	Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building.

Use Equipment during Disasters, and Secure Supplies for Emergencies

Site	Activity	Overview, results
Sakai Plant	Secure supplies for emergencies	Secured emergency stockpiles of water, food, and disaster prevention equipment. Rinkai Factory stocks 3-day worth of emergency daily supplies for employee and guest use in the scenario of a tsunami or liquefaction.
	Lend equipment to disaster relief	Daikin is registered as a corporate supporter of firefighting activities. (In times of emergency, Daikin dispatches personnel and lends equipment like forklifts to communities)

Site	Activity	Overview, results
Yodogawa Plant	Use of equipment during disasters, and secure supplies for residents for emergencies	 The plant makes effective use of site equipment (fire engines, firefighting equipment; sends employees as well). Sufficient supplies have been set aside for all local residents in case of a major earthquake. Emergency materials and equipment are placed in all major buildings.
Shiga Plant	Secure supplies for emergencies	Emergency supplies are stocked (emergency food, drinking water, flashlights, portable toilets, blankets, etc.). All employees are provided with a safety helmet.
Kashima Plant	Secure emergency equipment and food	Moved storage of emergency supplies (gas masks, flashlights, megaphones) and emergency necessities to last employees three days (food, water, portable toilets, blankets, etc.) to the newly established Kashima Integrated Production Center. Expanded emergency materials to be prepared for logistics accidents.

Site	Activity	Overview, results
Soka Station	 Secure supplies for emergencies Hosted general life-saving class 	 Stored water, food, emergency equipment, etc. Invited local fire department to hold classes regularly. Installed additional AED in security office in September 2021.
Tsukuba Training Center	Secure supplies for employees who cannot return home during a disaster	Stored three days worth of food, drink, and emergency supplies (flashlights, blankets, gas burners, portable toilets, etc.) for employees and training participants.
Head Office	Secure supplies for emergencies	Purchased and stored emergency supplies for the Head Office and Esaka Building. During fire drills, confirmed how to use these supplies.
	Place AEDs at Head Office, Esaka, Fukuoka, Nagoya, and Hiroshima	Health and Safety Committee and Human Resources oversee the placement of AEDs in all bases under Head Office jurisdiction.

Site	Activity	Overview, results
Tokyo Office	Secure emergency supplies, ensure presence of registered AED personnel	 Emergency supplies (helmets, gloves, towels) loaned individually According to a new Tokyo bylaw regarding measures for people in Tokyo who cannot return home in a disaster (enacted in April 2013), extra purchases were made of emergency supplies (emergency food and drinking water), and enough was stored to last 3 days for 610 people. At the same time, for employees who absolutely must be sent home on foot due to family situations, supplies that these employees might need while walking home were stored (about 60 persons' worth). Instructors were invited from the Tokyo Disaster Prevention and Emergency Medical Service Association to give a workshop on life-saving techniques (once a year). AEDs were installed in June 2014.

Earthquake Measures

Site	Activity	Overview, results
Sakai Plant	Measures against tsunami, tidal surge and liquefaction Seismic reinforcement and evacuation drills	 Established code of conduct for response to tsunami, tidal surge and liquefaction Secured stockpile of supplies. Reinforcement work is proceeding as planned in all buildings on-site for earthquake resistance. Reinforce suspended objects along the evacuation route in the building. Conducted repeat drills four times in preparation for earthquake, tsunami, and liquefaction (measures for initial response, evacuation and search and rescue, response to evacuation life after isolation, and late-night disaster drills). Conduct continuous improvement to address issues that repeatedly come up during drills, such as through revision of evacuation route or evacuation route or evacuation route or evacuation site.

Site	Activity	Overview, results
Yodogawa Plant	Seismic measures and disaster prevention / evacuation drills	 Basic earthquake measures policy: Save people above all, ensure safety Measures for an earthquake with a seismic intensity of 6: Reinforcement work completed on main buildings under current earthquake-resistance standard (fiscal 2009). Measures for 2-meter flooding: Measures for loss of infrastructure such as power supply. Complete emergency measures before flooding occurs (within 2 hours), ensure the chemical plant is safe, and evacuate employees to a high, safe place. Use secured emergency power, close up dangerous chemicals to render them harmless, and safely shut down plant (turn off, cool

Site	Activity	Overview, results
Shiga Plant	Seismic reinforcement and evacuation drills	 Completed seismic reinforcement work Measures against falling of suspended objects Evacuation drills were also held (Disaster drills once a year, firefighting drills twice a year). Installed walky-talkies for use in disasters (21 in plant, one at company housing building). Installed satellite phones (for communication among work sites). Installed drone.
Kashima Plant	Earthquake and tsunami measures	 The control room and office of the Kashima Integrated Production Center (IPC) that began operations in April 2021 are resistant to earthquakes even at a magnitude of 7. In addition, it is possible to maintain functionality for 72 hours after an earthquake with a backup power supply. The tsunami evacuation site has been changed to the rooftop of the IPC in case a large tsunami warning is Held evacuation drill based on scenario of earthquake so that response can be completed when there are more people than usual inside the plant such as during regular maintenance, etc.

Site	Activity	Overview, results
Soka Station	 Revision of disaster drills at bases Revision of product storage rules Measures to prevent falling over of furniture and fixtures 	 Changed assumptions (site of fire, evacuation route, failure of in-house broadcast system, use of fire hydrants and engine pumps, etc.) of each drill biannually (spring: earthquake drill; autumn: fire prevention and evacuation drill) and held evacuation drill. Revised product storage rules based on past earthquake experience. Took measures to prevent falling over of furniture and fixtures and other equipment in offices.
Tsukuba Training Center	Earthquake reinforcement and disaster drills	Took measures to prevent equipment from falling over. Carried out comprehensive disaster drills in preparation for large-scale earthquake (a seismic intensity of 6).
Head Office	Earthquake risk measures	 Measures to prevent equipment and machinery from falling over Ensure stocking of disaster supplies Regular disaster prevention education for the in-house firefighting unit

Site	Activity	Overview, results
Tokyo Office	Earthquake reinforcement, evacuation drills, measures for employees who cannot return home	 Measures were taken to prevent cabinets, furniture and fixtures, and equipment with casters (MFPs, laser printers, shredders, etc.) from falling over or moving in an earthquake. Joined in disaster training sponsored by the fire and disaster prevention association of the JR Shinagawa East Building (September). Held drills in using satellite telephones (September). In case of a disaster occurring at night or on a holiday, appointed emergency staff to be dispatched to confirm the extent of damage at the JR Shinagawa East Building prior to setting up a disaster task force. Established guidelines outlining initial response in case of earthquake. The guidelines state that, as a rule, employees should wait inside the JR Shinagawa East Building if an earthquake occurs during working hours. Written rules were made regarding what Daikin managers should do to confirm safety of employees in a disaster.

Typhoon Measures

Site	Activity	Overview, results
Yodogawa Plant	Typhoon measures	Implement measures to prevent objects scattering as a typhoon approaches. Determine whether to shut down a chemical plant and switch to low-impact operations.
Kashima Plant	Meeting on typhoon measures	A meeting was held to examine measures to take in case a typhoon strikes or passes nearby. Various preventive measures were implemented after determining safe operation and preparatory stoppages of plant facilities.

Safety Confirmation System Introduction

Site	Activity	Overview, results
Sakai Plant	Safety confirmation system	Built a confirmation system that uses safety confirmation and broadcast services. Hold a response drill once a year.
Yodogawa Plant	Safety confirmation system	A system was established that can confirm the safety of employees approximately 20 minutes after a disaster occurs. Emergency materials and equipment for searching and restoration are placed in all major buildings.
Shiga Plant	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs. Drills held in replying to this system (once every quarter); drills held since December 2013.
Kashima Plant	Safety confirmation system	Established a system for confirming the safety of employees after a disaster occurs. A Drill held in replying to this system (once a year).

Site	Activity	Overview, results
Soka Station	Safety confirmation system	Drills held in replying to this system (twice a year).
Tsukuba Training Center	Safety confirmation system	Drills held in replying to this system (once a year); also checked ability to respond to this system at all times.
Head Office	Safety confirmation system	Drills held in replying to this system (once a year).
Tokyo Office	Safety confirmation system	Held communication drills to confirm a system for contacting employees to ensure they are safe following a disaster (twice a year, earthquake and typhoon scenarios). Also checked on those employees who did not respond when contacted during implementation of the safety confirmation system. In case of a disaster occurring on a holiday or at night, as a means of immediate contact with employees of the Tokyo Office , and as a means of communication between members of the Tokyo Office Occupational Safety and Health Committee, established a system using a broadcast function for safety confirmation. Request for dispatch of emergency staff ha been switched to contact via
		the chat tool. Drills are held in replying using the broadcast function (twice a year).

Communities

HARMONY WITH COMMUNITIES—CONTRIBUTING TO PROMOTION OF ART AND CULTURE

Basic Policy

Established to promote art and culture, the Daikin Foundation for Contemporary Arts supports a wide range of activities by the National Museum of Art, Osaka (NMAO), including exhibitions, academic research, lectures, and publications.

Overseas as well, we support local culture through the sponsorship of music festivals and other events.

Examples of Initiatives

The Daikin Foundation for Contemporary Arts

The world's outstanding artistic and cultural works transcend national borders. Daikin Industries, Ltd. is committed to bringing the joy of these works, and the creativity they inspire, to a wider audience. This desire has compelled Daikin to focus on promoting art and music.

In March 1996, Daikin Industries, Ltd. established the Daikin Foundation for Contemporary Arts to mark the company's 70th anniversary on October 25, 1994. In the foundation's first year, Daikin Industries, Ltd. donated ¥200 million for the basic fund, followed by another ¥200 million after three years. With another donation of ¥100 million in 2004, Daikin's 80th anniversary, total founding so far amounts to ¥500 million. The foundation supports a wide range of projects by the National Museum of Art, Osaka (NMAO), including exhibitions, research and lectures.

In April 2013, the foundation became a public interest incorporated foundation. Daikin will continue to aggressively carry out foundation-sponsored activities with the aim of energizing the culture and arts of Osaka, the birthplace of Daikin Industries, Ltd.



The National Museum of Art, Osaka



The National Museum of Art, Osaka

Related information

> NMAO 🗖 (http://www.nmao.go.jp/en/)

Daikin Supports the Kansai Philharmonic Orchestra

Daikin Industries, Ltd. supports the Osaka-based Kansai Philharmonic Orchestra. Formed in 1970, it became a specified nonprofit corporation in 2003. In 2014, it became an authorized NPO corporation and from July 2018 it has been active as a public interest foundation corporation. The year 2020 marked the 50th anniversary of the orchestra. The orchestra is an integral member of local society, giving community concerts at its practice hall and hiring as many local musicians as possible.

Since 2004, Daikin Chairman of board Noriyuki Inoue has been a director on the orchestra's committee, and Daikin Industries, Ltd. has sponsored concerts by the orchestra in Kyoto, Hyogo, Nara, and Daikin's home base of Osaka.



Kansai Philharmonic Orchestra

Related information

> Kansai Philharmonic Orchestra website (available in Japanese only) 🗖 (http://kansaiphil.jp/)

Efforts Overseas

Daikin Industries Czech Republic s.r.o. supports Pilsen Philharmonic Orchestra.

Daikin (China) Investment Co., Ltd. has held an annual concert since 2007 with the aim of promoting arts and culture.

Daikin Device Czech Republic s.r.o. donated 20,000 koruna to Brno-Slatina City Hall in support of the summer festival hosted by the mayor of Brno-Slatina.





Concert in China

Poster of the summer festival in the Czech Republic

Related information

- "List of Support for Promotion of Arts and Culture" (List of Daikin's Social Contribution Activities) (Page 595)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data)

Communities

HARMONY WITH COMMUNITIES—CONTRIBUTING TO PROMOTION OF SPORTS

Basic Policy

To promote sports, Daikin sponsors local sports teams and sporting competitions.

Examples of Initiatives

Daikin Orchid Ladies Golf Tournament

For over 30 years, Daikin Industries, Ltd. has been sponsoring the Daikin Orchid Ladies Golf Tournament, the opening event of the Japan Ladies' Pro Golf Tour (hereinafter, "Daikin Orchid").

The Daikin Orchid Ladies Golf Tournament was inaugurated in 1988 as the opening round of the Japan Ladies' Pro Golf Tour. The slogan "Ever Onward with Okinawa," indicates our desire to join with Okinawa in continuously addressing the challenges of the future and work closely with local communities through interactions between business leaders in Okinawa and the rest of Japan.

The 35th tournament was held in March 2022 with strict observation of infection control protocols and a limit of 3,000 spectators at the official tournament, while the festival on the eve before the event and Pro-Am were cancelled with due consideration for the COVID-19 pandemic.



Champion of the 35th Tournament, Mao Saigo

Related information

> Daikin Orchid (available in Japanese only) 🗖 (http://www.daikin.co.jp/orchid/)

Local Amateur Golfers Invited to Participate in Daikin Orchid Ladies Golf Tournament

The "Daikin Orchid Ladies Amateur Golf Championship (hereinafter, "the amateur tournament")" is held as part of Daikin Orchid based on a desire to contribute even just a little to the development and revitalization of the Okinawa golf world.

The amateur tournament qualifies amateur lady golfers from Okinawa or reside in Okinawa, with a total of 5,000 players participating so far. From this competition, 18 players such as Ai Miyazato, and Mamiko Higa, as well as Shinobu Moromizato and Hina Arakaki (both pro golfers affiliated with Daikin Industries, Ltd.) have become professional golfers.

Bridging Okinawa and the Mainland

The pro and amateur tournaments and the pre-tournament festival enable representatives of Okinawan and mainland businesses to interact in an informal setting and gain a better understanding of each other's perspectives. This has led to the emergence of the Okinawa Konwakai, an organization created to consider future development in Okinawa in 1990. The association, whose members include business owners from Okinawa and the mainland, organizes a variety of vibrant activities that include forums and presentations on how to further promote and develop Okinawa.

In addition to attracting the Okinawa Summit to be held locally in 2000, discussions at the Okinawa Konwakai gave rise to a commerce conference held in Okinawa in 2014. By making Naha Airport a hub of international distribution, it is anticipated to contribute to new foreign sales channels for specialty products from all over Japan. In 2019, the 30th Anniversary Roundtable was held. Since fiscal 2020, we have continued to host meetings between junior business owners in Okinawa and business operators on the mainland online even during the COVID-19 pandemic. The meetings allow for discussions on Okinawa's future vision.

Local Volunteers Contribute to a Successful Tournament

Local volunteers from the city of Nanjo can be counted on to provide their invaluable time and labor to help run the tournament since the program launched in 1997. We also had many volunteers helping at the 35th tournament held in March 2022.

The Orchid Bounty Foundation Supports the Culture and Sports of Okinawa

All competitors provide their assistance by raising money. These funds, augmented by donations from the sponsors, are used to aid the development of Okinawa Prefecture, the tournament venue. Specifically, funding is provided to public organizations and individuals promoting artistic, cultural, sporting, and educational activities.

In March 2022, Orchid Bounty donated ¥6.3 million to a total of nine organizations and individuals, bringing the contributions since 1995 to ¥172.5 million and total recipients of 255.



The Orchid Bounty donation ceremony

Local Junior High School Students Invited to Watch Tournament

Every year, many of the students from the local Tamagusuku Junior High School are invited to watch the tournament. This gives the students a valuable opportunity to learn about and experience the joy of golf.

Not only do the students get to see the women's pro golfers battle it out on the course, they also get a comprehensive look behind the scenes of the tournament as they observe the work of groups like the greens-keepers, mass media, and tournament organizers.

Efforts Overseas

Daikin also supports sports overseas.

For example, we have provided sponsorship and support to events such as soccer, volleyball and road bicycle racing in Europe. In recent years, we have expanded the horizon of our activities to include sponsorship of rugby games in Oceania, as well as supporting international speed skating tournaments.

Daikin Applied Americas Inc.

We provided sports programs and scholarships to Youth 1st, an organization that supports youth sports. We also provided support to the Owatonna Soccer Association to finance the construction of a soccer complex.



Soccer complex constructed with funding from Daikin

Related information

- > "List of Support for Promotion of Sports" (List of Daikin's Social Contribution Activities) (Page 598)
- > Report by Business Site (https://www.daikin.com/csr/report/site_data)

LIST OF DAIKIN'S SOCIAL CONTRIBUTION ACTIVITIES

List of Support for Environmental Protection

Base	Recipient of support, details of support	
Daikin Industries, Ltd. (Japan)	"Forests for the Air" project Protecting forests in seven locations around the world Image: Seven around the world Image: Seve	
	Rejuvenating forests in Harashiroyama, Takatsuki City, Osaka Prefecture and Izuhara, Ibaraki City, Osaka Prefecture	
Daikin Europe N.V.		

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Daikin Industries Czech

Republic s.r.o.

s.r.o.

Recipient of support, details of support

Supported the Oak Promenade Restoration project hosted by an environmental conservation organization



Donated to the Pilsen Zoo

Agreement to a joint declaration on the memorandum of long-term cooperation with the City of Brno aimed at achieving CO_2 emissions reduction and application of climate change mitigation measures



Daikin Turkey A.S.	Planting of one million trees in Kinik, Izmir, which was affected by a wildfire in collaboration with Aegean Forest Foundation.
Daikin Airconditioning France S.A.S.	Recovered used paper for recycling, which contributed to earnings
	Recycled commercial products and parts, and donated the proceeds
Daikin Airconditioning Germany GmbH	Proactively participated in and donated to research project aimed to decarbonize
Daikin Manufacturing Germany GmbH	Planting of 800 flowers with children at a nearby elementary school

Base

Recipient of support, details of support

Garbage clean up in the community park



Daikin Air-conditioning (Shanghai) Co., Ltd.

Clean up activity at the elderly recreation center



Cleanup activities around plant



Tree-planting activities at a local school



Daikin Device (Suzhou) Co.,

Daikin Air-conditioning

(Suzhou) Co., Ltd.

Ltd.

Interacting with local residents through garbage clean up, factory tours, and flower viewing



Participation in tree planting festival

Daikin Fluoro Coatings (Shanghai) Co., Ltd.

Daikin Fluorochemicals

(China) Co., Ltd.



Garbage clean up in a nearby park

McQuay Air-Conditioning & Refrigeration (Wuhan) Co.

Shenzhen McQuay Air Conditioning Co., Ltd.

Ltd.



Participation in the outdoor walking event, Healthy Movement Low Carbon Lifestyle, hosted by the environmental conservation society



Base	Recipient of support, details of support		
Shenzhen McQuay Air Conditioning Co., Ltd.	Garbage clean up in surrounding areas		
McQuay China (Suzhou)	<text><image/><image/><image/></text>		
Daikin Malaysia Sdn. Bhd.	Participating in tree-planting and cleanup activities at Forest Research Institute Malaysia		
	Tree planting in a peat swamp forest reserve		

Planted 3,500 trees in a national park



Held beach cleanup activities in collaboration with government agencies



Daikin Industries (Thailand) Ltd.

Coral replanting activity in the ocean



Tree planting activity at temple





Held mangrove rejuvenation activities



Conducted tree plating and fry releasing with local businesses and schools



Tree planting in and around the factory



Daikin Airconditioning India Pvt. Ltd.

Built a reservoir and facility for rainwater storage in a nearby village



Daikin Compressor Industries, Ltd.

Removed weeds that hinder the growth of flora and fauna in a local park



Daikin Australia Pty. Ltd.

Participation in a local clean up activity in cooperation with the city council



PT. Daikin Airconditioning Indonesia	Replanting pine trees destroyed by fire
Daikin Comfort Technologies North America, Inc.	Participation in local trash removal to maintain cleanliness on community roadways)

Recipient of support, details of support

Held community cleanup activities

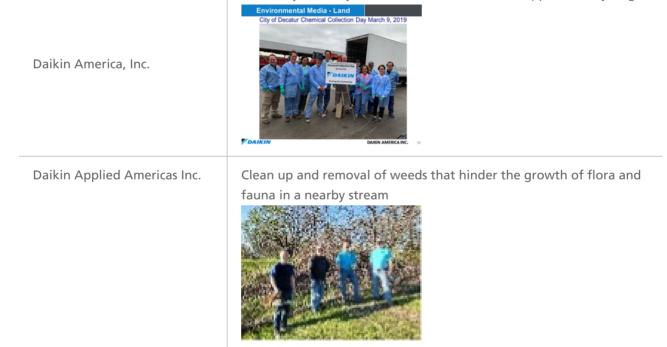


Daikin Comfort Technologies North America, Inc.

Hosted recycling event for electronics waste



Voluntary recovery of chemical substances and support to recycling



Recipient of support, details of support

Planted 100 trees in a public area



Daikin Applied Americas Inc.

Participated in picking up litter and clean up together with other companies in the same industrial park





List of Support for Education

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	Held "Circle of Life" environmental education program for elementary schools Held science experiment classes at elementary schools Took part in program with Osaka Prefecture University to foster next generation of scientists
	Support for the Sakai Rugby School
Daikin Industries, Ltd. (Sakai Plant)	Factory tours to educate local elementary school students about working society

Base	Recipient of support, details of support
	Kendo Training Hall for Children
Daikin Industries, Ltd. (Yodogawa Plant)	We conducted an interactive lecture remotely by connecting the audio-visual room of a nearby elementary school to the reception room of the plant
Daikin Industries, Ltd. (Shiga Plant)	Provided factory tours and environmental learning opportunity to elementary students in the city, and opened the grounds to local residents
Daikin Industries. Ltd.	Daikin employees give lessons at local elementary schools

Daikin Industries, Ltd. (Kashima Plant)

Base	Recipient of support, details of support
Daikin Europe N.V.	Contributed products for practical training to technical schools
	Gave presentation on the impact of global warming and initiatives to prevent environmental destruction to local school students as environmental education
Daikin Airconditioning Belgium N.V.	Contributed products for practical training to technical schools
	Donated to local junior high schools and universities
Daikin Industries Czech Republic s.r.o.	Donation of residential multi-sprit type air conditioners to mechanical engineering high school
	Participated in open house day for elementary schools where students move on to junior high schools with specialized courses in technology
	Conducted factory tours for junior high school and university students
	Hosted internship for high school students and training program for university students
	Joint research between University of West Bohemia (ZCU) and the research center

Base	Recipient of support, details of support
Daikin Device Czech Republic s.r.o.	Set up a rest area in the production hall within the Brno Industrial Park in collaboration with a student project at the Department of Architecture.
	Hosted trainees via the apprenticeship program
Daikin Applied (UK) Ltd.	Conducted workplace experience tour for children of around 16 years of age
	Conducted graduate school program for university students
	Participated in a career fair hosted by a local university
	Accepted students for apprenticeship program
	Participated in a career fair held at a local school
	Offered work experience program for high school students
Daikin Applied Europe S.p.A.	<image/> <image/>

Base	Recipient of support, details of support
Daikin Applied Europe S.p.A.	Participated in a virtual career conference for engineering department graduates
Daikin Airconditioning France S.A.S.	Accepted internship students
Daikin AC Spain, S.A.	Supported schools and other organizations
Daikin Turkey A.S.	Welcomed visit by engineering students to the Solution Plaza
	Conducted online seminar for architecture students
	Conducted training session for the teaching staff on the theme of F- gas regulations and protection of the ozone layer and refrigerants
	Installed an air purifier inside an elementary school classroom and updated it into an activity room where children can relax

Base	Recipient of support, details of support
Daikin Turkey A.S.	Appointed a clean air ambassador in three elementary schools and conducted lectures and events hosted by experts
DAIKIN Manufacturing Germany GmbH	Accepted children of employees for internship
Daikin McQuay Middle East FZE	Donated six air conditions to schools
McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd.	Accepted interns from Wuhan Technical College of Communications
Shenzhen McQuay Air Conditioning Co., Ltd	Hosted the family eco-handmade creativity contest using eco- materials
McQuay China (Suzhou)	Accepted interns from Suzhou University

Base	Recipient of support, details of support
Daikin Air-Conditioning (Shanghai) Co., Ltd.	Established Daikin Class in local science and engineering colleges to teach practical skills
Daikin Air-conditioning (Suzhou) Co., Ltd.	Donated school supplies to elementary schools
Xi'an Daikin Qing'an Compressor Co., Ltd.	Hosted visitors from Xi'an Jiaotong University School of Chemical Engineering
	Hosted visitors from the College of Energy and Power Engineering
Daikin Device (Suzhou) Co., Ltd.	Fostered skilled workers through collaboration with local schools

Base	Recipient of support, details of support
Daikin Fluorochemicals (China) Co., Ltd.	Presented 100,000 yuan in scholarships to local elementary, junior, and senior high schools in commemoration of our 20th anniversary 学会捐赠仪式
	Held factory tours and made monetary donation to elementary schools
Daikin Fluoro Coatings (Shanghai) Co., Ltd.	Conducted Japanese seminar
Daikin (CHINA) Investment Co., Ltd.	Donated to the University Students Air Conditioning Knowledge Contest
Daikin Malaysia Sdn. Bhd.	Hosted trainees via the apprenticeship program
Daikin Industries (Thailand) Ltd.	<text><image/><image/><image/></text>

Provided infrastructure support to three schools on their posts, flooring, tooth brushing area, and roofs



Donated air conditioners to a vocational school, and hosted a workshop on air conditioner installation for lecturers and students



Daikin Industries (Thailand) Ltd.

Renovated school buildings and provided children's books and library cabinets for a local school



Held factory tours for students



Participated in a student event and assembled bookshelves for the library





Daikin Industries (Thailand) Ltd.

Daikin Compressor Industries, Ltd. Donated computers to schools



Established nine technical education centers



Established the Japan-India Institute for Manufacturing (JIM)



	Established a library and athletic field at a public women's college
Daikin Australia Pty., Ltd.	Provided a graduate level program at the University of Wollongong
	Provided training program to students at the provincial vocational training college
Daikin America, Inc.	Provided assistance to internship program in cooperation with universities
	Participation as a lecturer in the college internship program

Daikin Airconditioning India Pvt. Ltd.

Base	Recipient of support, details of support
Daikin America, Inc.	Conducted volunteer activity in STEM education at a children's after- school program
	Held homestay program in Japan for American high school students

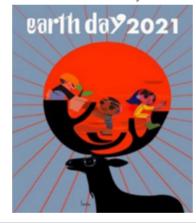


Hosted an environmentally themed art contest for children



Provided scholarships to students

Daikin Comfort Technologies North America, Inc. Conducted an environmental event for local elementary school students on Earth Day



Offered a home stay program for high school students to experience Japanese culture



Recipient of support, details of support

Conducted voluntary classroom painting and installation of electric cable and water pump at a technical high school



Donated extra milkweed from the biodiversity project to a local elementary school



Implemented factory tour for elementary school students



Daikin Applied Americas Inc.

Daikin Air Conditioning (Vietnam) Joint Stock Company

Base	Recipient of support, details of support
Daikin Air Conditioning (Vietnam) Joint Stock Company	Hosted university students on a factory tour
Daikin Amazonas	Conducted the young apprentice program

List of Support for Promotion of Arts and Culture

Base	Recipient of support, details of support
	National Museum of Art, Osaka
	Mitsubishi Ichigokan Museum, Tokyo
	Kansai Philharmonic Orchestra
	Kansai Nikikai Public Interest Incorporated Association
Daikin Industries, Ltd. (Japan)	Osaka Philharmonic Orchestra
	Telemann Institute Japan Support Group
	Tokyo Nikikai Opera Foundation
	New Japan Philharmonic
	NHK Symphony Orchestra
	New National Theatre, Tokyo

Base	Recipient of support, details of support
	Association for Corporate Support of the Arts
	Kamigata Entertainment Culture Society
	National Museum of Art, Osaka Membership
	Takarazuka Review Supporters
	Osaka Nohgaku Youseikai Kouenkai
	Osaka Symphony Orchestra
	International Music Exchange Association
Daikin Industries, Ltd. (Japan)	Rekishi Kaido Promotional Council
	Dojima Yakushido
	Kaitokudo
	Ryozen Museum of History
	Amicale au Japon pour la Maison de la culture du Japon à Paris
	Japanese Red Cross Society, Osaka Chapter
	SHIKI THEATRE COMPANY
	27th EU-Japan Fest
	Daisho-ji Temple Cultural and Protection Association
	Donated to the Japan Association for the 2025 World Exposition
	90th anniversary commemorative project of Naritasan Osaka Betsuin
Daikin Industries Czech	Sponsored international music festival Young Prague
Republic s.r.o.	Sponsored the AMEROPA international indoor music festival

Recipient of support, details of support

Donated to the summer festival hosted by the Mayor of Brno-Slatina



Daikin America, Inc.	Indectonation to local theater Indectonation to local theater Image: the context at a local elementary school Supported the Carnegie Art Center
Daikin (China) Investment Co., Ltd.	Hosted Daikin Concert at Shanghai Symphony Hall

Daikin Device Czech Republic s.r.o.

List of Support for Promotion of Sports

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Japan)	Daikin Orchid Ladies Golf Tournament
	Osaka Council, Scout Association of Japan
	Booster club of Kyoto University football team
Daikin Industries Czech Republic s.r.o.	Supported the Pilsen Half Marathon
	Collaborated with the Pilsen ice hockey team
	Donated an air conditioner to soccer team FC Viktoria Plzeň

Base	Recipient of support, details of support
Daikin Device Czech Republic, s.r.o.	<section-header></section-header>
	Donated to a local soccer school
Daikin Turkey A.S.	Supported local billiard team activities
	Supported local amateur soccer team
Daikin Airconditioning France S.A.S.	Made monetary donation to support activities of the French national ice hockey team
Daikin Airconditioning Germany GmbH	Sponsored the BMV Open tennis tournament
	Sponsored the BTV Bayern tennis association

Communities

Base	Recipient of support, details of support
Daikin Fluorochemicals (China) Co., Ltd.	Donated to international men's basketball game
Daikin Australia Pty. Ltd.	Supported Port City Charity Golf Day
Daikin America, Inc.	Made donations to support construction of facilities for softball
	Made donations to support construction of facilities for softball
Daikin Applied Americas Inc.	Sponsored the sports program and scholarship of Youth 1st, an organization that supports youth sports
	Sponsored the construction of a soccer complex for the Owatonna Soccer Association

List of Activities for Local Citizens

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Sakai Plant)	Holds annual summer festival
	Continued participation in "Adopt a Road" cleanup initiative
	Employees patrolled the plant at morning and night to ensure there was no disturbing noise or vibration
	Holds annual Bon dance festival
Daikin Industries, Ltd. (Yodogawa Plant)	Participation in community cleanup activities Areas around the site cleaned up Employees took part in cleanup of local waterways Imployees took part in cleanup of local waterways
	Sponsorship of and participation in community events
Daikin Industries, Ltd. (Shiga Plant)	Holds annual Bon dance festival
	Activity to clean up and pick up litter around the plant

Base	Recipient of support, details of support
Daikin Industries, Ltd. (Shiga Plant)	Participated in Lake Biwa clean up (once a year)
	Holds a summer festival
Daikin Industries, Ltd. (Kashima Plant)	Cleanup around the plant
	Took part in cleanup of the industrial park
	Holds blood donation drive
	Holds annual summer festival
Daikin Industries, Ltd. (Soka Station)	Cleanups of areas surrounding the site
	Holds blood donation drive
	Supported employees' health through the Better Health @ Work Award
Daikin Applied Europe S.p.A.	Participated in charity event Gung-Ho for autistic children
	Participated in March for Men campaign for prostate cancer
	Participated in a career fair held at a local university

Base	Recipient of support, details of support
Daikin Applied Europe S.p.A.	Established a running team for employees
	Supported organizations helping persons with mental disabilities within Oostende
	Donated to emergency medical assistance organizations
	Donated to the King Baudouin Foundation, a public utility foundation
Daikin Europe N.V.	<image/> <image/> <image/> <image/>
	Conducted business plan briefing for local residents
Daikin Industries Czech Republic s.r.o.	Donated two units of air purifier for each of four orphanages

Helped collecting Christmas gifts to be delivered to children of an orphanage



Daikin Industries Czech Republic s.r.o.

Provided supplies to an animal shelter



Jointly donated neonatal treatment equipment to a hospital with another company



Daikin Device Czech Republic, s.r.o.

Conducted a virtual charity run in order to donate to a hospice



Conducted woodwork workshop for employees with mental disabilities



Donated to the local summer festival



Participation in a charity run by 15 employees with donation to a hospice



Daikin Chemical France S.A.S.	Hosted social gathering with the city hall and local residents
DAIKIN Manufacturing Germany GmbH	Established a foundation for SLK children's hospital
	Supported an activity for eradicating blood cancer
Daikin Airconditioning Belgium N.V.	Engaged in various donation activities including contributions to cancer funds and barrier-free buildings
Daikin Airconditioning U.K., Ltd.	Supported a range of charity activities

Daikin Device Czech Republic, s.r.o.

Base	Recipient of support, details of support
Daikin AC Spain, S.A.	Support for charity and other groups
Daikin Turkey A.S.	Invited 12 children from "Protect the Children Association" to Family Day
	Supported women's rights projects
	Blood donation
	Donated to an animal shelter
Daikin Air-conditioning (Shanghai) Co., Ltd.	Held traffic volunteer activity during rush hour
	Installed the Free Cleaning Booth for Daikin Air Conditioners at the charity event hosted by the Cultural Office of Shanghai Xinzhuang Industrial Zone
Daikin Device (Suzhou) Co., Ltd.	Cleanup activities

Recipient of support, details of support

Blood donation drive

Daikin Device (Suzhou) Co., Ltd.



Visited to local fire department



Daikin Fluorochemicals (China) Co., Ltd.

Welcomed local residents on factory tours and conducted events such as flower viewing and classes for making Japanese confectioneries



Cleaned up area around the factory

Gave to charity for needy families

Daikin Fluoro Coatings (Shanghai) Co., Ltd. Participated in the International Volunteer Day of the industrial





Recipient of support, details of support

McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd. Contributed to the World Cleanup Day activity with garbage cleanup



Provided volunteers to direct traffic around school zone during commute hours



Conditioning Co., Ltd.

Shenzhen McQuay Air

Provided infection control materials to the community to prevent infectious diseases



Presented food collected from the food bank and donations received



McQuay China (Suzhou)

Daikin Malaysia Sdn. Bhd.

Daikin Industries (Thailand)

Ltd.

Recipient of support, details of support

Hosted Daikin Charity Run and supported a cancer hospital



Joined blood donor clinics for the Thai Red Cross



Installed solar power lamps in a local temple



Daikin Compressor, Industries Ltd.

Conducted training on air conditioning cleaning and maintenance for local residents



Daikin Compressor, Industries Ltd.

Conducted BBL paint activity at a school in Rayong Province



Held blood donation drive

Daikin Airconditioning India Pvt. Ltd.



Daikin Airconditioning India

Pvt. Ltd.

Recipient of support, details of support

Provided food assistance kits and hygiene products to poor families during the pandemic



Held a toy drive to donate to a shelter for children taken from homes experiencing domestic violence



Daikin Australia Pty. Ltd.

Supported families possessing customized houses for sick children

Supported the Australian North Cyprus Friendship Association

Supported South Brisbane Men's Shed

Donated to hospitals, cancer associations and community events



Conducted volunteer yard work for local hospice patients



Built a barrier-free ramp for the community together with the volunteer center



Donated toys to the Toys for Tots campaign, which distributes presents to children who cannot receive presents from their own parents for Christmas



Conducted volunteer activity to recycle items such as old paint, household chemicals, motor oil, and fluorescent lamps



Daikin Applied Americas Inc.

Hosted a charity marathon and donated all proceeds from registration to a cancer patient support organization

Daikin America, Inc.

Base	Recipient of support, details of support	
Daikin Applied Americas Inc.	Cooperated with local chamber of business to aid in local employment matching	
	Cooperated with United Way, an NGO involved in improving education and health	
	Donated to various organizations in the city from proceeds of unwanted items from the employees	
	Held an in-house food drive for the local food bank	
	Conducted Adopt-a-Family which provides presents to local struggling families	
	Participated in a volunteer rescue team in cooperation with a local fire department	
	Sponsored a youth sports program and scholarship fund	
	Supported the construction of a soccer field	
	Provided economic assistance for local businesses affected by the COVID-19 pandemic	
	Sponsored female businesspersons and local scholarships	
	Sponsored the upgrade of camping gears for local youth	

Recipient of support, details of support

Conducted Daikin Dash, a campaign to fight cancer



Sponsored local soccer team

Supported Phoenix MCP, St. Mary Food Bank



Daikin Applied Americas Inc.

Donated toys to children in poverty



Donated foods to underprivileged areas



Recipient of support, details of support

Blood donation

Sponsored the Angel Tree

Sponsored the Salvation Army

Sponsored Reads Across America

Built partnership to local industrial healthcare provider and enhanced response to injuries

Conducted volunteer activity as a children's safety camp



Participated as volunteers in housing construction



Donated air conditioners to the city of Waller for the new city hall



Daikin Applied Americas Inc.

Daikin Comfort Technologies North America, Inc.

Recipient of support, details of support

Established scholarships for science majors



Implemented company tour event for children of employees



Participated in the National Wear Read Day, a day for wearing red clothing to raise awareness against heart disease and stroke

Daikin Comfort Technologies North America, Inc.

Employees donated school supplies and \$1,044.72 to an elementary school



Participated as volunteers in housing construction



Donated toys to the Toys for Tots campaign that provides presents to underprivileged children



Base	Recipient of support, details of support		
Daikin PT	Sponsored dolphin watching tour		
Daikin Chemical Netherlands B.V.	Collected bottle caps in support of dogs training centers and patient with various illnesses		
	Collected stamps in support of the Cystic Fibrosis Foundation of the Netherlands		
	Assembled an organization to spend time with home alone children		
	Donated generators and air conditioners to garbage processing plant		
Daikin Air Conditioning (Vietnam) Joint Stock Company	Presented gifts for underprivileged families, wounded veterans and war victims		

Communities

Base	Recipient of support, details of support	
Daikin Air Conditioning (Vietnam) Joint Stock Company	Donated two industrial size washing machines to the provincial Social Protection Center	
Daikin Amazonas	Delivery of Christmas gift baskets to the local community	
Daikin Ar Condicionado Amazonas Ltda.	Provided food to a children's facility	

List of Support for Disaster Victims

Base	Recipient of support, details of support			
Daikin Europe N.V.	Set up the Hope for Malaysia campaign for the 400 employees affected by the flood in Malaysia. In addition to fundraising, the campaign sold donuts with proceeds going to the charity.			
Daikin Turkey A.S.	<text></text>			

Base

Xi'an Daikin Qing'an Compressor Co., Ltd.



54 employees participated as local infection control volunteers

Employees participated as infection control volunteers to assist with temperature checks and directing line ups



McQuay China (Suzhou)

Base

Daikin Airconditioning India

Pvt. Ltd.

Recipient of support, details of support

Donated 60 units of oxygen concentrator to government hospital



Donated 2,000 sets of protective clothing for infection control to base areas



Daikin Air Conditioning (Vietnam) Joint Stock Company

Support to hospital treating the infectious disease



Donated gift baskets to hospital staff working with the infectious disease as a token of appreciation



Daikin America, Inc.社



Sustainability Report

2022 -Web version-(As of November 2022)

Feature

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Feature FISCAL 2021

Environment

Challenge to Achieve Carbon Neutrality

Value with Air

Creating an Environment Conducive to Napping for Greater Vitality

Supply Chain Management

Establishing a More Flexible and Resilient Supply Chain









Challenge to Achieve Carbon Neutrality

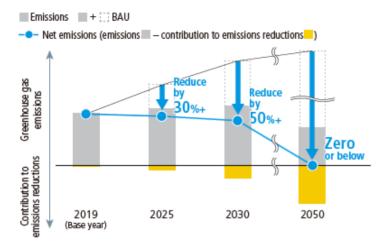
Why is it important?

Carbon Neutrality will Mitigate the Worldwide Impacts of Global Warming Amid the Sustained Growth in Demand for Air Conditioning

Air conditioners have become vital to people's lives around the world, and yet they emit large amounts of CO_2 through energy consumption during use and from the impacts of their refrigerants. As the only manufacturer in the world to produce both air conditioners and refrigerants, Daikin recognizes it has a major social responsibility to the natural environment.

Daikin formulated Environmental Vision 2050 in an effort to achieve net zero greenhouse gas (carbon neutrality) emissions by 2050. Under the Fusion 25 Strategic Management Plan, which targets fiscal 2025, Daikin has positioned "Challenge to achieve carbon neutrality" as one of its growth strategies. The target for this strategy aims to lower net greenhouse gas emissions by 30% or more in 2025 and by 50% or more in 2030 compared to BAU, with 2019 as the base year. Using innovative initiatives reflected in management strategy, we will develop a roadmap to net zero greenhouse gases and aim to balance business growth with contributions to the environment.

Targets for Achieving Net Zero Greenhouse Gas Emissions



Daikin's Approach

Reducing Greenhouse Gas Emissions to Net Zero Across the Entire Value Chain

Daikin's plan calls for helping achieve a carbon neutral society including across its entire value chain, spanning from not only product development and production, but also during product use. Demand for air conditioning is expected to continue growing around the world in the future, which requires us to find ways to reduce electricity consumption during the use of air conditioners. In emerging countries, where air conditioners are still spreading and there are no appropriate energy efficiency standards in place, many air conditioners that consume large amounts of electricity during operation are sold, becoming a factor for energy issues. Daikin is working alongside governments, international organizations, industry groups, and research institutes, among others, to create systems and frameworks based on the unique situation and issues of each country.



Daikin's Approach to Achieving Carbon Neutrality

Daikin's Performance

Helping Mitigate Global Warming Under Strategic Management Plans

Under Fusion 25, we are focusing not only on reduction of CO_2 emissions during manufacturing, but also redoubling efforts for the spread of inverter air conditioners, heat-pump space and water heaters, and reducing the impacts of refrigerants. By the end of 2025, we intend to crystallize measures to achieve net zero greenhouse gas emissions.

Reducing Greenhouse Gas Emissions During Development and Production

Minimizing CO₂ Emissions from Our Business Operations

Daikin has established a certification system for environmentally advanced factories based on its own standards in an effort to reduce environmental impacts from manufacturing in a coordinated effort with its production bases around the world. For example, we have established a system for visualizing electricity consumption using the IoT platform of plants. This has resulted in efficient improvements based on the quicker implementation of the cycle involving current situation understanding, data analysis, improvement, and confirmation of effects. As a result, despite the increase in production volume following the growth in demand for air conditioning, in fiscal 2021, we reduced greenhouse gas emissions during development and production by 36% compared to fiscal 2015.

Reducing Electricity Consumption During Usage

Using Energy Efficiency Technologies to Control CO₂ Emissions During Air Conditioning Usage

Air conditioners with inverters consume 50% less electricity than ones without inverters. For this reason, Daikin has for years focused on the spread of inverter air conditioners.

Inverter air conditioners represent an effective way of lowering energy consumption, particularly in emerging countries, where energy problems are becoming more serious as economies grow. Price, however, has posed a challenge to spreading these models in people's homes. Therefore, Daikin decided to partner with a major Chinese air conditioner manufacturer in 2008. Joint product development has enabled lower cost and higher production efficiency production of inverter air conditioners, helping to boost the share of inverter air conditioners sold in the marketplace.

In ASEAN, countries have introduced industry standards (CSPF^{*1}) for evaluating energy efficiency performance following Daikin's grassroots advocacy efforts. We will continue with these activities aimed at the introduction of a harmonized system covering the entire region.

In India, Daikin encouraged the introduction of evaluation standards and labeling system. In 2010, the share of inverter air conditioners in the marketplace was nearly zero, but in fiscal 2020, this share had risen to 55% and it is expected to grow to 80% in 2024.^{*2}

In Brazil, the government revised the country's energy efficiency standards for air conditioners in 2020. Daikin participated in this process by providing specialized information and technical support with the cooperation of the Japan International Cooperation Agency (JICA) and universities, among others. Daikin is contributing to building a foundation for consumers to select energy efficient air conditioners.

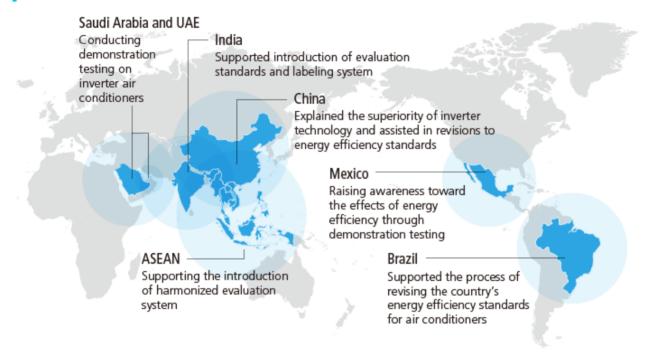
In Saudi Arabia and the UAE, we have conducted demonstration testing on inverter air conditioners. To expand our activities in the Middle East and to Africa, we held discussions with government officials on the need for policy for promoting the spread of energy efficient air conditioners.

Looking ahead, we will continue to propose inverter air conditioners with a focus on regions where market penetration is still low.

*1 CSPF: Cooling Seasonal Performance Factor

*2 Source: BSRIA World Air Conditioning Overview 2022

Countries and Regions Where Daikin has Partnered with Others to Spread Energy Efficient Air Conditioners (Since 2010)



Transitioning Away from Combustion Heating Using Fossil Fuels

Supplying Heat-Pump Heating to Europe and the World

Daikin is working to spread heat-pump heating. Looking at the size of the worldwide space heating market by heat source, heat-pumps account for 0.8 trillion yen^{*3} compared to 3.3 trillion yen for combustion type heating which burns fossil fuels using gas boilers. This means that inexpensive and quicker to heat combustion type heating remains prevalent worldwide despite its larger CO₂ emissions.

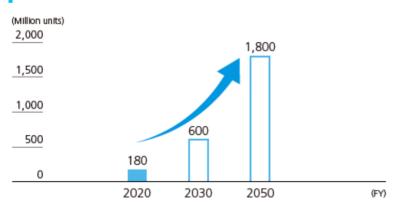
However, in Europe, where heating is widely used, decarbonization is accelerating due to the European Green Deal Policies enacted in 2019. A number of subsidy programs and tax refunds have been announced, leading to the rapid growth of the heat-pump market there. Furthermore, according to the International Energy Agency (IEA),^{*4} the transition to heat-pumps will be key to social system transformation in terms of not only decarbonization but also securing stable sources of energy, because in recent years the prices of fossil fuels are soaring while supply has been constrained due to instability.

Daikin launched Daikin Altherma, a heat-pump space and water heater, in Europe in 2006. Since then, we have steadily expanded the product lineup based on the climate and needs of every European country. For example, Daikin Altherma 3H HT launched in fiscal 2020 for cold regions can supply hot water without use of electric heaters even in outdoor temperatures as cold as negative 15 degrees Celsius. It is the only product in the industry that can replace combustion heating with heat pump without modifying an existing home. In fiscal 2021, we launched a smaller capacity model.

Sales of Altherma have grew 4.5 times since fiscal 2014 thanks to our fine-tuned services including installation and maintenance.

Daikin will continue with its proposal activities in regions around the world that still mainly use combustion heating. As part of this, Daikin is stepping up its efforts in North America where there is growing momentum for a shift in environmental policy.

- *3 Calculated by Daikin based on data from BRG for North America, Europe, and China, and from FUJI KEIZAI CO., LTD. (2020) for Japan.
- *4 IEA press release: A 10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas



Forecast for the Spread of Heat-Pumps in Buildings based on the Net Zero Scenario for 2050

Source: Prepared by Daikin based on the IEA's Net Zero by 2050: A Roadmap for the Global Energy Sector.

Mitigating the Impacts of Refrigerants

Switching to Lower GWP Refrigerants and Building a Refrigerant Eco-Cycle

The CO_2 emissions from air conditioners are affected by not only electricity consumption but also the fluorocarbons used as refrigerants. Daikin has been working tirelessly to mitigate the impacts of these refrigerants.

One area of these efforts is switching to refrigerants with lower global warming potential. The selection of next-generation refrigerants requires a comprehensive evaluation of environmental impact, safety, and cost-effectiveness as well as finding the right refrigerant for each application based on model of air conditioner, water heater, or refrigeration unit. Daikin has identified that R-32, which has approximately one-third the global warming potential of conventional refrigerants, is the right choice for both residential and commercial air conditioners today based on independent evaluations and reviews taking into account international discussions. For this reason, we have been promoting the spread of R-32 around the world.

Transitioning to new refrigerants from conventional ones requires the understanding from the market and technologies. This is why Daikin has performed demonstration testing on R-32 air conditioners and provided technical guidance for the proper handling of R-32 in emerging countries such as India, Thailand, and Malaysia. We have also helped improve the market environment around the world by raising awareness and fostering technicians in the field. Moreover, in 2011, we began offering free access to multiple patents related to the manufacture and sales of air conditioners using R-32, and in July 2021, we added an additional 123 patents to this list. The ability for manufacturers around the world to manufacture R-32 air conditioners will help to curb global warming going forward.

As of June 2021, when including other manufacturers, more than 160 million R-32 air conditioners have been sold and the contribution to CO_2 emissions reductions is estimated to be 260 million tons- CO_2 . We will continue working to spread R-32 while also developing new refrigerants with lower global warming potential. In July 2021, we made an equity investment in OCSiAl of Luxembourg to speed up the development of energy efficient refrigerants used in electric vehicles.

Another initiative is the development of an appropriate recovery and reclamation system for used refrigerants. At the time of air conditioner and heat pump disposal, most refrigerants are destroyed to prevent their release into the air. Establishment of a circular economy requires the further utilization of recovered and reclaimed refrigerants. In fiscal 2019, Daikin began selling air conditioners in Europe that use reclaimed refrigerants, with sales exceeding 40,000 units as of March 2022. We are now actively working to establish and utilize a refrigerant reclamation scheme together with Group companies as well as refrigerant recovery providers and construction companies, in order to help build a recovery and reclamation cycle for refrigerants.

Daikin is attempting to develop this system worldwide. For example, in Japan, we established an implementation structure involving both the air conditioning divisions and the chemicals divisions which manage refrigerants. Going forward, we will work alongside governments and other companies to commercialize the recovery and reclamation of refrigerants that have undergone destruction in an effort to boost the recovery rate of refrigerants which remains at low levels.

Cumulative Total of R-32 Air Conditioners Sold by Daikin (As of December 2021)

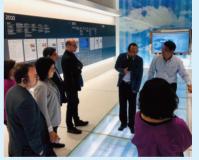
Over 35 million air conditioners sold in more than 120 countries worldwide

(Approx. 14 million in Japan and 21 million overseas)



Working with Stakeholders to Promote the Spread of Environmental Technologies

Spreading environmental technologies such as inverters, heatpumps and refrigerants with a lower global warming potential requires market creation by marketing the actual environmental impact performance and the fostering of correct understanding in society. The establishment of rules for properly evaluating and utilizing these new technologies is vital. However, there is only so much a single company can accomplish in this regard. Daikin has participated in the creation of systems and programs around the world through collaboration and partnerships with governments, international organizations, industry groups, research institutes, and NGOs/NPOs. We will continue working with industry, government, and academia to hold discussions on market creation and rulemaking for a carbon neutral era.



Brazilian government delegation visiting a research center

Next Challenge

Growing Company Leading Environmental Initiatives

Focused on the reduction of CO_2 emissions worldwide, Daikin is tackling the challenges of new business and new technology creation from a long-term view while also increasing the contributions from its existing businesses.

One example is our involvement in Singapore's smart city project of 2020. The project is looking to build a district-level centralized cooling system that is optimized to control every neighborhood in the city state. Daikin is also promoting the energy creation business with micro-hydroelectricity, with the goal of making the many untapped hydroelectric resources around the world a baseload power source. Furthermore, we are working on co-creation with Doshisha University to explore CO₂ ambient temperature decomposition, direct recovery, and reuse technologies that directly reduces CO₂.

Controlling the emissions of CO_2 and fluorocarbons deeply correlated with climate change is a mainstay theme of Daikin's core business. Carbon neutrality both poses a risk and represents an opportunity for Daikin. We will contribute to solutions to environmental and energy issues by connecting innovative technologies to markets while we grow as a company.

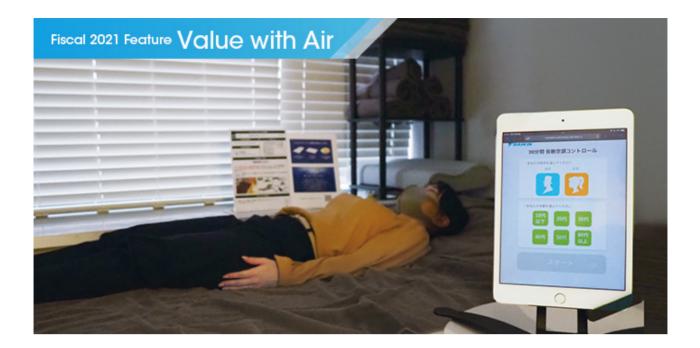
Voice

Expectations of Daikin's Ability to Resolve Climate Change Issues

Daikin's businesses and technologies are garnering attention worldwide as potential solutions to the challenge of carbon neutrality. I expect that Daikin will grow its businesses linked to such solutions to climate change issues. Particularly, I would like to see Daikin play an even larger role in Asia which accounts for a large share of the world's CO_2 emissions.



Professor The University of Tokyo Institute for Future Initiatives Yukari Takamura



Creating an Environment Conducive to Napping for Greater Vitality

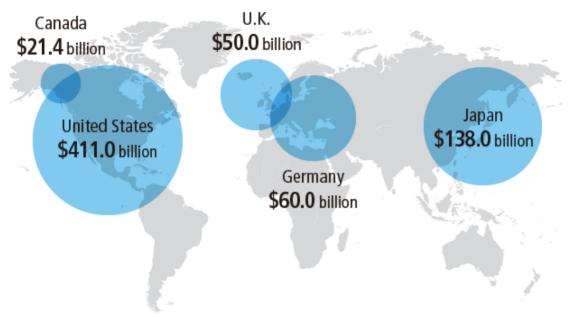
Why is it important?

To Encourage Napping that Benefits the Social Economy and Health

Lowered productivity due to lack of sleep has led to economic losses in the trillions of yen per year in five major countries. While sleepiness during the day can occur even with adequate sleep the night before, napping represents a potential way to counteract this.

Napping is being studied for its effect on improving concentration and reducing the risk of cardiovascular diseases, but the key is improving the quality of sleep. Daikin believes it can contribute to addressing economic and health issues of today by developing many areas conducive to effective napping at any time.

Economic Losses in Each Country due to Lowered Productivity from Insufficient Sleep



Note: Compiled by Daikin based on data from RAND Corporation Why Sleep Matters: Quantifying the Economic Costs of Insufficient Sleep

Daikin's Approach

Collaborative Industry-Academia Research on the Optimal Thermal Environment for Napping

Comfortable air conditioning improves bodily comfort and enhances quality of sleep. Based on the knowledge developed through the Good Sleep mode of residential air conditioners, Daikin has focused its attention on effective short-duration sleep that leads to increase productivity. Since January 2020, we have been conducting research on optimal thermal control for daytime napping in collaboration with a lab at the University of Electro-Communications. We believe that it is essential and meaningful to modern society to offer an alternative to those who have difficulty getting a good sleep at night.

Quality sleep requires three elements: falling asleep quickly, stable sleep at a moderate depth, and conditions to prevent drowsiness pre-waking. Given that a short nap of 30 minutes or less is recommended to prevent reduced productivity during daytime sleepiness, the study set out to identify the thermal environment that optimizes each of the three stages of pre-sleep, being asleep, and waking within the 30-minute period. Brain waves of test subjects napping in the test booth were measured. The air conditioning inside the booth was controlled according to the sleep state, then the acquired data was analyzed.

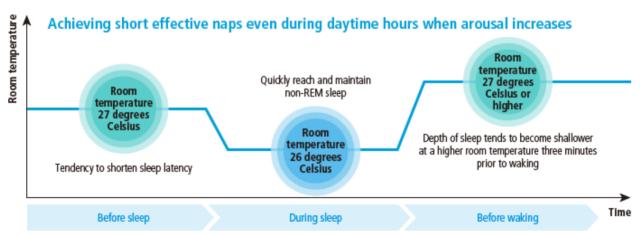
Daikin's Performance

Demonstration with Interactive System Launched for Future Commercialization

In January 2022, we published the results of testing conducted over two years. In a Japanese regular office space with 40 to 60% humidity, sleep latency can be shortened by making the room temperature 27 degrees Celsius. Once asleep, non-REM sleep suitable for naps can be achieved in 10 minutes by lowering the room temperature to 26 degrees Celsius. Moreover, sleep depth will become shallower by making the room temperature 27 degrees Celsius or higher three minutes prior to waking, which will lead to more refreshing wake-up. This thermal control allows sleepiness to be resolved with 30 minutes of sleep and achieves the effect of improved brain processing speed and memory after waking. Looking ahead to the commercialization of these results, Daikin and the University of Electro-Communications have begun a demonstration test in an office environment.

This testing involves a booth set up with an interactive napping system at point 0 marunouchi,^{*} a membershipbased co-working space that Daikin is a part of. In the testing, vital sensors are used to obtain the sleep log of users, while a post-nap survey is also conducted to receive feedback on the napping space. In conjunction with demonstration testing, Daikin is also developing an algorithm to be used in future products to enable comfortable and effective napping.

* One of the projects under Daikin's collaborative platform CRESNECT under which it works with a number of partner companies. It serves as a space for demonstration testing geared toward the development of future offices. The purpose of the space is for users to experience spatial concepts Daikin has created in collaboration with each partner company in order to develop new products and services.



Thermal Control for Effective Napping

Next Challenge

Bringing Nap Spaces to Various Locations to Boost Human Performance

Napping is an effective way to reduce sleepiness. It has proven indispensable to those in the professions of healthcare, long-distance driving, and so on. With a growing recognition of napping as a factor linked to working with greater energy, there is an increased number of offices that encourage napping. Daikin is committed to supporting the improvement of workers' performance through the power of air by expanding our products and services which will enhance the quality of sleep such as maximizing the effect of napping spaces.

In the future, we will continue to pursue the potential of air and space and strive to create new value through our technology and collaboration with partners.

Voice

Commercialization of Technology and Knowledge Through Collaboration with Daikin

This research seeks to answer the question that everyone wants to know: what kind of nap increases productivity? Deep sleep can help eliminate tiredness but makes one sleepier. On the other hand, light sleep doesn't make one sleepy but does not eliminate tiredness. The research is motivated by the desire to address this question of trade-off. We are able to expand the possibility of applications of the technology and knowledge past the confines of the university through working collaboratively with businesses. Our goal is to commercialize the idea to bring useful products to the public.



Professor, Department of Informatics, Cluster I (Informatics and Computer Engineering) The University of Electro-Communications Graduate School of Informatics and Engineering Keiki Takadama



Establishing a More Flexible and Resilient Supply Chain

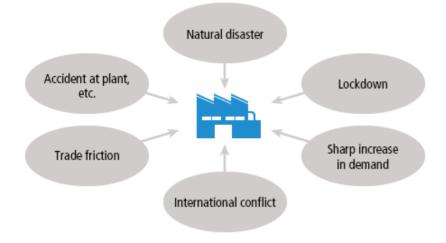
Why is it important?

A Manufacturer's Responsibility is to Supply Its Products Whenever Needed

Daikin believes it is important to deliver products to customers without delay no matter the circumstances. Our core products of air conditioners often require urgency and experience sharp fluctuations in demand caused by weather, as purchases are often made to counter a heat wave. This requires that our customers have access to a stable supply of air conditioners.

Stable production at our plants, flexible production adjustments, and sourcing raw materials and supplies are vital to this process. There is no way of knowing when a contingency may occur that threatens stable supply, such as natural disasters, accidents, pandemics, or economic disruptions caused by trade friction. With rising risk of supply interruptions caused by a combination of factors, we need to establish a resilient supply chain that can sustain production while avoiding these many risks.

Examples of Risk Factors Standing in the Way of Stable Supply



Daikin's Approach

Establishing Systems to Instantly Cope with Demand Fluctuations Worldwide

To lower the risk of supply interruptions, Daikin has looked to market-localized manufacturing where we produce products in areas where they are in demand. Once a heat wave strikes, demand for air conditioning jumps as a lifeline for people without it. To ensure we can immediately address such sharp fluctuations, we have established a variable model variable volume production system at all of our production bases enabling us to constantly adjust the models being produced and production volume on a daily and weekly basis. For procurement as well, we have established a management approach that combines concentrated purchasing by our procurement divisions in Japan with local production for local consumption where production bases carry out procurement within their own respective areas.

Even with this flexible system in place, however, Daikin had to exert a great deal of effort to avoid the impacts from the Great East Japan Earthquake and the historic flooding that occurred in Thailand. For this reason, Daikin is taking unique steps to reinforce its Business Continuity Plan (BCP) aiming for a truly resilient supply chain.

The secret behind this is close collaboration among Group companies, divisions, and suppliers based on the shared mission to keep production going. For example, in the aftermath of the Great East Japan Earthquake, the development divisions updated product specifications so that substitute components could be used. Based on this experience, we have incorporated a system into our BCP that enables us to swiftly respond to the development of substitute components and products during a contingency.

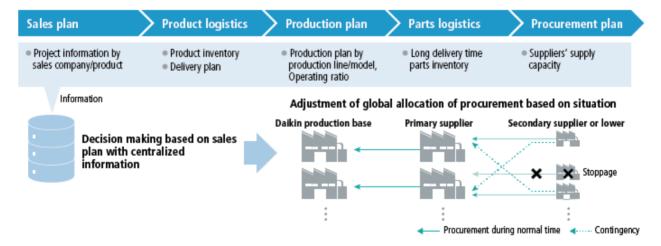
Daikin's Performance

Global Collaboration Shines during the COVID-19 Pandemic's Procurement Crisis

In 2021, there was a worldwide shortage of semiconductors and other electronic components due to lockdowns, travel restrictions, and robust stay-home demand during the COVID-19 pandemic. Many manufacturers were forced to reduce production or suspend operations. Despite this, Daikin was able to maintain a stable supply of its products around the world.

We were able to adjust supply globally despite the pandemic because of the collaboration within the Group on a regular basis. Persons in Japan responsible for procurement, production, development, and finance held weekly meetings with the heads of the production divisions at overseas production bases. At these meetings, constantly changing information on risk was shared among each region, and after countermeasures were determined, approval was given on the spot to either develop substitutes for components in short supply or determine how to best to address delayed responses with the resources on hand. Action was then taken and the process carried out over again. Global procurement management functioned as a basis for this quick and timely decision making. Daikin ascertains and centrally manages information on supply in the supply chain and inventory at secondary suppliers and others. Therefore, we were able to secure the necessary components and correctly allocate them around the world, and swiftly determine the need for development of substitute components.

In this manner, we were able to supply products to customers in a stable manner despite a challenging situation.



Optimized Supply Chain Management using Digital Technology

Next Challenge

Honing Our Strengths with Digital Technology

Amid rising uncertainty, such as global supply chain disruptions caused by natural disasters or trade frictions and decoupling on a worldwide scale, Daikin has positioned "Establishing a resilient supply chain" as a key theme of the Fusion 25 Strategic Management Plan. To ensure we continue to provide stable supplies to markets in the future, we will achieve optimal supply chain management Groupwide by centralizing supply chain information using digital technology and having regions take the lead in procurement to conduct local production for local consumption.

Voice

Reaffirmed the Group's Solidarity During Contingencies

The tight supply-demand conditions of electronic components turned everything upside down. In response, we sharply increased discussions with other production bases and suppliers, and today the Global Procurement Division members in Japan have become like close friends after working so much together. We were able to supply products to customers without delay thanks to cooperation with members from development, manufacturing, production engineering, and planning as well as IT divisions that developed a highly accurate inventory simulation system for this occasion.



Supervisor, Procurement Department, Daikin Industries (Thailand) Ltd. Chutharat Achima



Sustainability Report



Sustainability Report

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Sustainability Report

THIRD-PARTY VERIFICATION

To ensure reliability of the content of this report, Daikin contracts with a third-party to verify its data on greenhouse gas emissions, water use, waste water, waste emissions, and chemical substances emissions.

Data Covered by Verification

Environmental Impact Data on Business Operations in FY2021

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions, water use, waste water, waste emissions, and chemical substances emissions from business operations of four production bases in Japan of Daikin Industries, Ltd.,, eight production subsidiaries in Japan, and 58 production subsidiaries overseas.
- Category 1 (purchased goods and services), 11 (use of sold products), and 12 (final product disposal) emissions of Scope 3 GHG emissions calculated in line with the GHG Protocol's "Corporate Value Chain (Scope3) Accounting and Reporting Standard."

Scope of Review

Contribution to Greenhouse Gas Emission Reduction^{*} through the Use of Products

- Amount of contribution to emission reduction
 - Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions
 - Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.
- Amount of refrigerant recovery and recycling from market
 - Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group(in CO₂ equivalent)

* Calculated with F-gas recovery rate as 0%.

> Method of Calculating Greenhouse Gas Emissions Data (Page 644)

INDEPENDENT ASSURANCE STATEMENT

To: Daikin Industries, Ltd.



Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Daikin Industries, Ltd. (Daikin) to provide limited assurance and to conduct an external review over sustainability information selected by Daikin. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our assurance work was limited to assurance over the following information included within Daikin Group Sustainability Report 2022 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2021 through March 31, 2022 (the 'Selected Information'):

1) The following data through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 58 production subsidiaries overseas

- CO₂ emissions from energy use
- HFCs and PFCs emissions
- Water intake and Wastewater
- Recycled materials and Waste
- VOC emissions
- Release amount of PRTR (*1) chemical substances through business operations of four production bases of Daikin and eight production subsidiaries within Japan
 - (*1) Pollutant Release and Transfer Register system
- 3) The following data through business operations of four production bases of Daikin
 - CO2 emissions from non-energy use
 - CH4, N2O, SF6 and NF3 emissions
- 4) Categories 1, 11 and 12 of Scope 3 GHG emissions accounted in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'

The scope of our review work was limited to review about the following information included within Daikin Group Sustainability Report 2022 (the 'Report') or reported internally to Daikin Group only for the purpose of internal management for the period of April 1, 2021 through March 31, 2022 (the 'Selected Information'):

- Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions
- Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.
 Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the
- Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group (in CO₂ equivalent)

Reporting criteria

The Selected Information included within the Report needs to be read and understood together with the reporting criteria stated in the Report.

The Selected Information reported internally to Daikin Group only for the purpose of internal management needs to be read and understood together with the internal reporting criteria defined by Daikin.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the Report, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Daikin.

Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to: - obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting

- Criteria by conducting our assurance work:
- assess the reliability and accuracy of the Selected Information by conducting our review work;
- form an independent conclusion based on the procedures performed and evidence obtained; and
- report our conclusions to the Directors of Daikin.

Assessment Standard

We performed our assurance work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board and ISO14084-3 (2019): Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements. We performed our review work by using Bureau Veritas' standard procedures for external review of sustainability information.



Summary of work performed

As part of our independent verification, our work included:

- 1. Conducting interviews with relevant personnel of Daikin;
- 2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries:
- 3. Reviewing documentary evidence provided by Daikin;
- 4. Reviewing Daikin systems for quantitative data aggregation and analysis;
- 5. Verification of sample of data back to source by carrying out three physical site visits and seven remote audits, selected on a risk based bases at the following locations:
 - [Physical site visits]
 - Daikin Head Office
 - Daikin Shiga Plant
 - Daikin Air-conditioning (Vietnam) Joint Stock Company
 - [Remote audits] - MCQUAY AIR CONDITIONING & REFRIGERATION (SUZHOU) CO., LTD.

 - Shenzhen McQuay Air Conditioning Co., Ltd. DAIKIN INDUSTRIES (THAILAND) Ltd.
 - DAIKIN COMPRESSOR INDUSTRIES LTD.
 - Zanotti s.p.a.
 - Daikin Comfort Technologies North America, DTTP
 - DAIKIN America, Inc.
- 6. Reperforming a selection of aggregation calculations of the Selected Information;
- 7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Verified greenhouse gas emissions

We performed our verification work on greenhouse gas emissions data in accordance with the requirements of ISO14064-3(2019). Verified data in greenhouse gas assertion made by Daikin are as follows.

	Greenhouse gas emissions [t-CO ₂ e]	Boundary
Scope 1	602,396	 *CO₂ from energy use, HFCs and PFCs: GHG emissions through business operations of four production bases of Daikin, eight production subsidiaries within Japan and 58 overseas production subsidiaries *CO₂ from non-energy use, CH₄, N₂O, SF₆ and NF₃: GHG emissions through business operations of four production bases of Daikin
Scope 2 (location-based)	617,591	
Scope 2 (market-based)	556,818	
Scope 3 (Category 1, 11 and 12)	305,873,946	Categories 1, 11 and 12 of Scope 3 GHG emissions accounted and reported in line with the GHG Protocol's 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' within the boundaries defined by Daikin for each category.

The breakdown of Scope 3 emissions are as follows.

Category 1: 4,047,720 t-CO2e | Category 11: 255,151,666 t-CO2e | Category 12: 46,674,560 t-CO2e

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material
- respects, in accordance with the Reporting Criteria; It is our opinion that Daikin has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd. Yokohama, Japan June 28, 2022



Third-Party Verification

METHOD OF CALCULATING GREENHOUSE GAS EMISSIONS DATA

Greenhouse gas emissions data are calculated as follows.

(1) Use of fuel at sites (Energy-induced CO₂) Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 58 manufacturing subsidiaries overseas.
- However, the following may not be included in calculation: newly consolidated bases, sites that are newly established and that don't yet have a data collection system in place, and sites whose emissions are negligible. For sites where data procurement is difficult, calculation is based on estimates of past data, for example.
- Heat generation per unit, CO₂ emissions coefficient: Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment); for natural gas in Japan, the coefficient used is based on the Act on the Promotion of Global Warming Countermeasures.

(2) Emissions of HFCs and PFCs in production processes at sites Scope 1

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 58 manufacturing subsidiaries overseas.
- For estimates of emissions of HFCs and PFCs, material balances and emissions coefficients are set and calculated based on methods stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials of HFCs and PFCs are from the IPCC Fourth Assessment Report.

(3) Non-energy-induced CO₂, CH₄, N₂O, SF₆ NF₃ emissions in production processes at sites Scope 1

- The scope of calculation is the four manufacturing bases of Daikin Industries.
- Calculations are based on emissions coefficients stipulated in the Act on the Promotion of Global Warming Countermeasures.
- Global warming potentials are from the IPCC Fourth Assessment Report.

(4) Use of electricity and heat at sites (Energy-induced CO₂) Scope 2

- The scope of calculation covers four manufacturing bases of Daikin Industries, Ltd., eight manufacturing subsidiaries in Japan, and 58 manufacturing subsidiaries overseas.
- CO₂ emissions coefficients are as follows.

Purchased electricity: Use one of the followings

- Coefficients provided by electricity distribution companies
- 2019 Annual Emission Reduction Project China Regional Grid Baseline Emission Factors
- IEA Emissions Factors(2021)

Purchased heat: Use one of the followings

- Coefficients provided by heat distributors
- Based on Environmental Activity Evaluation Program (Eco-Action 21) (1998, Ministry of the Environment)

(5) Purchased products and services (Energy-induced CO₂) Scope 3

- Scope of calculation covers components and materials purchased for air conditioners, water heaters, oil hydraulic products, filters, and fluorochemical products produced in Japan, China, Thailand, Malaysia, India, Belgium, the Czech Republic, the Netherlands, France, Italy, Germany, Turkey, and the U.S.
- For each, purchased amount is multiplied by CO₂ emission coefficient.
- CO₂ emission coefficient is based on the Inventory Database for Environment Analysis, by the National Institute of Advanced Industrial Science and Technology, and the Japan Environmental Management Association for Industry
- For chemicals, approximately 80% of the highest volume ones were selected, and a 100% value estimate calculation was done.

(6) CO_2 emissions from the use of products sold (Energy-induced CO_2) Scope 3

- Scope of calculation covers the use of products sold globally which includes residential air conditioners, air conditioners for shops, offices and buildings, air conditioners for factories, central air conditioning units and equipment for hot water supply and heating.
- Calculation method: Annual energy consumption × Product lifecycle × Electricity CO₂ emission coefficient

(or Gas^{*} CO₂ emission coefficient) × Sales volume

*used as fuel in combustion heating equipment

Data for the calculation method are as follows.
 Annual energy consumption: Catalogue value, standard value or value calculated assuming actual usage
 conditions

Product lifecycle: 10 years for residential equipment and 13 years for others

Electricity CO₂ emission coefficient: value reported in "IEA Emissions Factors"

(7) CO₂ emissions from the use of products sold (Fluorocarbons)

- Scope of calculation is same as part (6).
- Calculation method: Refrigerant charge amount × Annual leakage rate × Product lifecycle × Global warming potential × Sales volume
- Data for the calculation method are as follows. Refrigerant charge amount: Catalogue value Annual leakage rate: Value reported in "Revisions of Emission Coefficient, Etc. During Use of Refrigeration and Air Conditioning Equipment" by Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry, March 17, 2009

Product lifecycle: 10 years for residential equipment and 13 years for others Global warming potential: Value reported in IPCC Assessment Report

(8) CO₂ emissions from the disposal of products sold Scope 3

- Scope of calculation is same as part (6).
- For calculation method, impact by refrigerant release is calculated by refrigerant charge amount × global warming potential × (1- recovery rate). Emissions associated with the transport, disassembly etc. of waste products is calculated by multiplying the emission per unit by sales volume.
- Data for the calculation method are as follows.
 Refrigerant charge amount: Catalogue value
 Global warming potential: Value reported in IPCC Assessment Report
 Recovery rate: Set to 0% conservatively

Scope 3

Sustainability Report

HONORS FOR DAIKIN

Overall CSR

Daikin Industries, Ltd.

Chosen for inclusion in the MSCI ESG Leaders Indexes



Chosen for inclusion in the MSCI Japan ESG Select Leaders Index

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Chosen for inclusion in the MSCI Japan Empowering Women Index (WIN)

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF Daikin Industries, LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daikin Industries, LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

> MSCI ESG Research website 🗖

(https://www.msci.com/esg-integration)

Chosen for inclusion in the FTSE Blossom Japan Index



FTSE Blossom Japan

■Chosen for inclusion in the FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daikin Industries, Ltd. has been independently assessed according to the FTSE Blossom Japan Index criteria and the FTSE Blossom Japan Sector Relative Index, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index Series. The FTSE Blossom Japan Index Series is designed to measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices. There are two indexes within the family, the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index. The indexes are widely used by sustainable investment funds and for creating and evaluating financial products.

▶ FTSE Russell website □

(https://www.ftserussell.com/)

- Awarded 4.5-star rating (total deviation score of between 60 and 64) in the 3rd Nikkei SDGs Management Survey conducted by Nikkei Inc.
- Chosen for inclusion in the SOMPO (Sompo Japan Nipponkoa Asset Management Co., Ltd.) Sustainability Index.



Sompo Sustainability Index

Recognized as a Sustainability Yearbook Member by S&P Global in The Sustainability Yearbook 2022

Sustainability Yearbook Member 2022

S&P Global

Environmental Honors

Daikin Industries, Ltd.

Daikin Selected as an Advanced Global Company for Climate Change Measures in CDP's "Climate Change A-List"



■Chosen as a supplier engagement leader in CDP2021



Won FY2021 Energy Conservation Grand Prize (organized by the Energy Conservation Center, Japan)

- Minister of Economy, Trade and Industry Prize in the products and business model category machi Multi independently operating air conditioners for small rooms suited for remote work
- Director General of Agency of Natural Resources and Energy Prize in the products and business model category

Ene Focus α, information provision and air conditioner energy conservation and management service for a decarbonized society

- ECCJ Chairman Prize in the products and business model category Urusara X (R series) air conditioners for household use equipped with ventilation function
- ECCJ Chairman Prize in the energy conservation examples category

Energy conservation through optimizing ventilation and improved air conditioner operations in showrooms (co-creation with Takara Belmont Corporation)



Customer Satisfaction Honors

Daikin Industries, Ltd.

■Six of Daikin's products and one concept model won a Good Design Award for fiscal 2021.

- Humidifying Type Streamer Air Purifier (MCK70Y)
- Air purifier (Air purifier for the Southeast Asian market)
- Air conditioner (V/VX Series)
- Air conditioner (ceiling-suspended cassette air conditioners for the India market)
- Portable air conditioner (Carrime2)
- Air conditioner (C/CX Series)
- Air window/Ventilation system (concept model)



Human Resource Honors

Daikin Industries, Ltd.

 Received the highest ranking of S++ in Human Resources Placement, Innovation, and Market Expansion, and received the highest rating, 5 stars, in overall ranking for the fifth consecutive year (deviation value of 70 and above), in the 5th NIKKEI Smart Work survey conducted by Nikkei Inc. As a result, we received the Grand Prize in the NIKKEI Smart Work Awards 2022 that recognizes leading companies that aim for growth through work style reform.



Newspaper and Magazine Rankings

Daikin Industries, Ltd.

■CSR Rankings 14th (Toyo Keizai Inc.)

Nikkei ESG Brand Index Ranking 46th (Nikkei Business Publications, Inc.) Best Japan Brands 2022 23th (Interbrand)



Sustainability Report



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ESG DATA

Pages focusing on environmental performance information and social performance indicators can be found here.

Figures not included here should be assumed to be the actual results for the fiscal year (April to March of the following year).

Companies covered by	data:			
Daikin Industries, Ltd.	D	Including	g group in Japan	JG
Overseas group compa	nies only	OG		
Including group compa	anies in Japa	an and overseas	OJG	
Data verified by a thire	d party.	Verified		

Environment

GHG emissionsin the value chain (Scope1,2,3)

(Thousand tons-CO₂)

Sco	Scope and Category		2020	2021
Scope1	Use of fuel and fluorocarbon Verified	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	551	600
Scope 2 (market- based) ^{*1}	Use of electricity and steam Verified	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	512	557
Scope 2 (location- based) ^{*2}	Use of electricity and steam Verified	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	548	618

OJG

	Category 1	Purchased goods and services Verified	Volume of purchased materials x emission coefficient	2,890	4,048
Scope3	Category 2	Capital goods	Capital investment amount x emission coefficient	393	449
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	Purchased electricity, steam, and fuel x emission coefficient for each type	92	100
	Category 4 ^{*3}	Upstream transport and delivery	Transport weight x transport distance x emission coefficient for each type	27	29
	Category 5	Waste generated in operations	Waste volume x emission coefficient for each type	26	33
	Category 6 ^{*3}	Business travel	Travel expenses x emission coefficient	7	8
	Category 7 ^{*3}	Employee commuting	Number of employees x emission coefficient	3	3
	Category 8	Leased assets (upstream)	-	N/A (includes Scope 1 and Scope 2)	N/A (includes Scope 1 and Scope 2)
	Category 9 ^{*3}	Downstream transportation and delivery	Transport volume x emission coefficient	7	8
	Category 10 ^{*3}	Processing of sold products	Weight of manufactured intermediate products x emission coefficient	15	20
	Category	CO ₂ from use of Daikin's air conditioners in the market Verified	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	235,340	255,150
	11	CO ₂ from use of other Daikin products ^{*4} in the market	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	19,580	24,930

	Category 12 ^{*5}	Fluorocarbon at time of disposal of Daikin's air conditioners Verified	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	44,710	46,670
Scope3		Fluorocarbon at time of disposal of other Daikin products ^{*4}	Method of Calculating Greenhouse Gas Emissions Data (Page 644)	1,410	1,910
	Category 13	Downstream leased assets	-	N/A	N/A
	Category 14	Franchises	-	N/A	N/A
	Category 15	Investments	Emissions of investment target companies x ownership percentage	110	406
	Total			304,610	333,760
Comprehe	ensive total			305,670	334,920

*1 Market-based is the calculation of Scope 2 emissions reflecting contracts for purchased electricity.

- *2 Location-based is the calculation of Scope 2 emissions based on the average emission coefficient for electricity of a specific location.
- *3 Category 4, Category 6, Category 7, Category 9 and Category 10 cover Japan only.
- *4 Non-air conditioner data indicates air purifiers and refrigeration/hydraulic/specialty equipment products.
- *5 Calculated with fluorocarbon recovery rate as 0%.

Related Page: > Third-Party Verification (Page 641)

Environmentally Conscious Products* as Percentage of Sales Volume (Residential Air Conditioners)

OJG

		2018	2019	2020	2021
Environm	entally Conscious Products	93	97	98	99
	Super Green Products	51	60	69	71
	Green Products	42	36	29	28
Other products		7	3	2	1

* Environmentally conscious products: Name for Super Green Products and Green Products. Products that satisfy at least one of the conditions are Green Products.

- Consume at least 30% less electricity than conventional products Example: Air conditioners equipped with inverters.
- Use refrigerants with at least two-thirds less global warming potential than conventional refrigerants. Example: Air conditioners using R-32, a refrigerant with lower global warming potential

Related Page: > Developing and Promoting Products and Services that Reduce Environmental Impact (Page 165)

Reduction rate of net greenhouse gas (GHG) emissions [*] OJG		(%)
	2020	2021
Reduction rate of net greenhouse gas (GHG) emissions * (compared to BAU with 2019 as base year)	7	10

* Net GHG emissions equals GHG emissions during the product lifecycle minus contribution to GHG emissions reduction.

(%)

Contributions to GHG emission reduction

OJG

(Thousand tons-CO₂)

		2020	2021
Amount of contribution to emission reduction*	Contribution to greenhouse gas emission reduction through the spread of air conditioners and heat pumps, hot water supply systems and refrigeration systems with lower emissions	1,500	5,000
	Contribution to greenhouse gas emission reduction due to the use of R-32 refrigerant in air conditioners and refrigeration systems by other companies as a result of the Daikin group's offer of free access to the patents, technical support, etc.	9,200	11,260
Amount of refrigerant recovery and recycling from market	Refrigerant recovered from the market or reclaimed by the Daikin group and reclaimed refrigerant purchased by the Daikin group(in CO ₂ equivalent)	4,600	4,670

* Calculated with F-gas recovery rate as 0%.

Note: Reviewed by the third-party.

Related Page: Third-Party Verification (Page 641)

Green Procurement Rate* OJG

(%)

	2017	2018	2019	2020	2021
Japan	92	90	93	95	95
Overseas	78	79	77	77	78
Entire Group	76	80	80	80	80

* Green procurement rate= Value of goods procured from suppliers who meet our assessment criteria / Value of all goods procured.

Related Page: > Green Procurement (Page 153)

Materials Used	D	OJG
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(Thousand tons)

		2019	2020	2021
Japan	Iron	68	63	76
	Copper	14	14	13
	Aluminium	13	14	15
	Other metals	2	2	3
	Plastics	17	20	22
	Chemicals (PRTR-designated)	141	132	145
	Glass	0.4	0.4	0.5
	Iron	511	465	519
	Copper	80	73	71
0	Aluminium	72	69	58
Overseas	Other metals	11	2	2
	Plastics	88	81	90
	Chemicals (PRTR-designated)	150	127	150
	Iron	579	528	595
	Copper	94	86	84
Tatal	Aluminium	85	83	73
Total	Other metals	13	4	5
	Plastics	105	101	112
	Chemicals (PRTR-designated)	292	259	295

Recycling of Residential Air Conditioners

JG

			2017	2018	2019	2020	2021
Residential air conditioners collected by Daikin (units: thousand)		320	390	410	460	460	
	Weight of prod	ucts recycled or reused (tons)	13,000	15,990	17,197	18,527	18,337
	Amount recycle	d (tons)	11,768	14,634	15,672	16,862	16,700
	Recycling ratio	(%)	90	91	91	91	91
		Iron	41	34	33	31	32
		Copper	8	7	7	8	8
	(Breakdown)	Aluminium	5	2	2	2	2
	(%)	Mixture of non-ferrous and iron composite materials	43	40	41	41	40
		CFCs	1.0	1.5	1.6	1.6	1.7
		Other valuable materials	18	16	16	16	17
	Fluorocarbons r tons-CO ₂)	recoverd (CO ₂ -equivalent)(Thousand	400	490	530	590	590

Related Page: Home Appliance Recycling Results (Page 228)

> Resource Recycling (Page 221)

Amount of Fluorocarbons Recovered JG

(Thousand tons-CO₂)

	2017	2018	2019	2020	2021
Electric appliances recycling	400	490	530	590	590
Fluorocarbon Recovery and Destrution	770	760	830	740	760

Related Page: > Home Appliance Recycling Results (Page 228)

> Recovery, Recycle and Destruction of Fluorocarbons (Page 208)

Greenhouse Gas Emissions (Development and Production)	OJG	Verified	
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(Thousand tons-CO₂)

		Base year (FY2015)	2018	2019	2020	2021
Energy-induced CO ₂		870	830	860	720	790
	(Scope1)	250	220	220	220	230
	(Scope2)	620	620	640	500	560
HFC (Sco	ope1)	540	180	160	100	110
PFC (Scope1)		410	290	300	240	260
Total		1,820	1,310	1,320	1,060	1,160

Related Page: > Reducing Greenhouse Gases during Development, Production and Transportation (Page 195) > Third-Party Verification (Page 641)

CO ₂ Emissions per Sales from Transportation (Air-conditioning)	D
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	2017	2018	2019	2020	2021
Per unit of production (fiscal 2001 is set at 100)	61	61	61	59	59

Related Page: > Reducing Greenhouse Gases during Development, Production and Transportation (Page 195)

Energy Consumption OJG

		2017	2018	2019	2020	2021
Electricity (GJ)		8,681,423	9,108,896	9,116,573	8,538,470	10,335,299
Rer (GJ)	newable Energy generated)	208,726	279,187	433,841	547,774	1,176,899
City Gas ((LD	4,343,569	4,345,872	4,407,257	4,267,236	4,685,995
LPG (GJ)		263,520	181,340	197,277	156,834	173,618
Steam (GJ	J)	1,384,817	1,371,033	1,221,504	1,094,880	1,277,454
Petroleun	n (GJ)	64,968	72,628	48,538	50,699	48,898
Total (GJ)		14,738,297	15,079,769	14,991,148	14,108,119	16,521,264

Related Page: Overview of Environmental Impact (Page 126)

(%)

Water Intake / per Unit of Production

		Standard value (average for fiscal 2013-2015)	2017	2018	2019	2020	2021
Water Intake (Thousand m ³)	Japan	1,870	1,860	1,890	1,760	1,670	1,820
m-)	Overseas	4,650	4,740	5,060	4,770	4,360	4,510
	Total	6,520	6,600	6,950	6,530	6,030	6,330
	Japan	100	94	93	88	92	85
Unit with standard value set at 100 (%)	Overseas	100	91	85	83	84	72
	Total	100	92	87	84	86	76

Note: These values are different from values for third-party verification.

Related Page: > Water Resource Reduction (Page 231)

Water	r Intake and Discharge Amounts	OJG	Verified			
•						(Thousand m ³)
		2017	2018	2019	2020	2021
Wate	er Intake	11,690	12,330	11,580	9,560	9,850
Wate	er discharge	9,980	10,420	9,670	8,320	9,110
	Sewerage	4,370	4,310	3,930	3,880	5,010
	Released into ocean/river	5,610	6,110	5,740	4,440	4,100

Related Page: > Water Resource Reduction (Page 231)

> Third-Party Verification (Page 641)

Water Intake and Discharge Amounts in Water-stressed Regions (India and China)

(Thousand m³)

		2017	2018	2019	2020	2021
India	Water intake	60	59	58	50	57
mula	Water discharge	60	59	43	37	48
China	Water intake	26	26	25	26	22
China	Water discharge	21	21	20	21	17

Related Page: > Water Resource Reduction (Page 231)

COD emissions	DIG				
					(tons)
	2017	2018	2019	2020	2021
Emissions	890	510	1,592	1,764	2,382

Note: Daikin changed its measurement method in fiscal 2020. This new measurement method has been used to retroactively revise the figures for fiscal 2019.

Related Page: > Water Resource Reduction (Page 231)

Chemical Emissions (total of PRTR Substances and VOCs) / per Unit of Production

OJG

		Standard value (average for fiscal 2013- 2015)	2017	2018	2019	2020	2021
	Japan	486	520	537	521	454	510
Emissions (tons)	Overseas	2,052	1,489	1,992	2,153	2,002	1,552
	Total	2,538	2,010	2,529	2,674	2,456	2,062
	Japan	100	89	91	90	79	81
Unit with standard value set at 100 (%)	Overseas	100	98	88	85	76	56
	Total	100	95	89	86	77	61

Note: These values are different from values for third-party verification.

Related Page: > Management and Reduction of Chemical Substances During Production (Page 244)

Air Pollutant Emissions OJG

	2017	2018	2019	2020	2021
NO _x	139	146	205	119	111
SO _x	20	8	8	5	7
Dust	-	56	70	45	57

Related Page: > Overview of Environmental Impact (Page 126)

(tons)

Compilation of PRTR Substances (PRTR Substances of which at Least 1 ton was Handled)

JG

	2021							
Substance name		Amount emitted		Amount transported				
	Air	Air Public waterways		Waste	Sewage			
Chlorodifluoromethane; HCFC-22	58.40	0.00	0.00	0.01	0.00			
Dichloromethane; methylene dichloride	16.16	0.00	0.00	3.10	0.00			
1-chloro-1,1-difluoroethane; HCFC-142b	9.70	0.00	0.00	0.00	0.00			
Toluene	2.57	0.00	0.00	0.46	0.00			
2-chloro-1,1,1,2- tetrafluoroethane; HCFC-124	1.50	0.00	0.00	0.00	0.00			
Chloroform	0.89	0.00	0.00	7.40	0.00			
Phenol	0.79	0.00	0.00	0.81	0.00			
Xylene	0.56	0.00	0.00	0.41	0.00			
Formaldehyde	0.43	0.70	0.00	0.30	0.00			
Ethylbenzene	0.42	0.00	0.00	0.38	0.00			
Hydrogen fluoride and its water-soluble salts	0.26	0.00	0.00	120.00	0.00			
n-hexane	0.23	0.00	0.00	0.15	0.00			

1,3,5-trimethylbenzene	0.05	0.00	0.00	0.01	0.00
N,N-dimethylacetamide	0.02	0.00	0.00	0.18	0.00
1,2,4-trimethylbenzene	0.02	0.00	0.00	0.00	0.00
N,N-dimethylformamide	0.01	0.00	0.00	8.20	0.00
Acetonitrile	0.00	0.00	0.00	4.60	0.04
Methylnaphthalene	0.00	0.00	0.00	0.00	0.00
Boron compounds	0.00	0.46	0.00	0.62	0.00
Poly(oxyethylene)alkyl ether(alkyl C=12-15)	0.00	0.00	0.00	53.00	0.32
Antimony and its compounds	0.00	0.00	0.00	28.00	0.00
copper salts (water-soluble, except complex salts)	0.00	0.00	0.00	0.31	0.00
Methylenebis(4, 1- phenylene) diisocyanate	0.00	0.00	0.00	0.04	0.00
Water-soluble salts of peroxodisulfuric acid	0.00	0.00	0.00	0.00	0.00
Allyl alcohol	0.00	0.00	0.00	0.00	0.00
ferric chloride	0.00	0.00	0.00	0.00	0.00
tetrachloromethane	0.00	0.00	0.00	0.00	0.00
styrene	0.00	0.00	0.00	0.00	0.00
Tritolyl phosphate	0.00	0.00	0.00	0.00	0.00

Related Page: Management and Reduction of Chemical Substances During Production (Page 244)

Amount of Waste and Recycled Materials

Veri

(tons)

		2017	2018	2019	2020	2021
	Amount of Waste	2,965	3,401	3,274	3,650	4,126
Japan	Amount of Recycle	28,196	28,345	27,523	25,191	27,329
Out of th waste	Out of the above amount, hazardous waste	21,128	21,273	20,994	19,455	22,058
	Amount of Waste	24,228	32,897	33,924	28,654	37,178
Overseas	Amount of Recycle	114,612	111,693	118,383	111,896	142,059
	Out of the above amount, hazardous waste	42,367	43,985	44,062	43,221	57,239
	Amount of Waste	27,193	36,298	37,198	32,304	41,304
Entire Group	Amount of Recycle	142,808	140,038	145,906	137,088	169,388
	Out of the above amount, hazardous waste	63,495	65,258	65,056	62,676	79,297

OJG

Related Page: > Resource Recycling (Page 221) > Third-Party Verification (Page 641) Emissions / per Unit of Production

		Standard value (average for fiscal 2013-2015)	2018	2019	2020	2021
Emissions (tons)	Japan	31,000	30,400	28,400	26,800	31,000
	Overseas	163,000	164,500	158,400	160,000	180,000
	Total	194,000	194,900	186,800	186,800	211,000
	Japan	100	86	84	84	70
Unit with standard value set at 100 (%)	Overseas	100	93	88	89	90
	Total	100	92	87	88	87

Note: These values are different from values for third-party verification.

Related Page: > Resource Recycling (Page 221)

Amount of Packaging Used per Product (Wood, Cardboard, Styrofoam, etc.)*

OJG

(%)

	2017	2018	2019	2020	2021
Amount of Packaging Used Per Product with FY2010 set as 100%	92	91	90	89	88

* Covers residential air conditioners for the Japanese market.

Related Page: > Resource Recycling (Page 221)

Index

Report from Audits	JG
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(cases)

		2017	2018	2019	2020	2021
Problems found from internal environmental audits	Major non- conformance	3	1	2	1	0
	Minor non- conformance	28	28	22	9	8
	Items improved	149	160	126	77	97
	Major non- conformance	0	0	0	0	0
Problems found by third-party certification institutes	Minor non- conformance	0	0	0	0	1
	Items improved	13	9	7	5	3

Related Page: > Environmental Management System (Page 138)

Ratio of Employees Belonging to Facilities That Obtained ISO 14001 Certification

(%)

OJG

	2017	2018	2019	2020	2021
Japan	100	100	100	100	100
Overseas	96	95	94	93	91

> Click here 💼 for Daikin Bases Certified for ISO 14001 (43KB/4P)

(https://www.daikin.com/-/media/Project/Daikin/daikin_com/csr/environment/management/ems_data-pdf.pdf)

Related Page: > Environmental Audits (Page 140)

Number of Green Heart Certified Factories* 0JG

	2021
Platinium	6
Gold	8
Silver	23
Bronze	9
Total	46

* A Group standard for evaluating and certifying individual production sites for their environmental activities such as energy conservation, reduction of waste generated, and biodiversity conservation. Evaluation every two years.

Related Page: > Green Heart Factories and Offices (Page 142)

Co-creation

Research and Development Expenses	OJG					(billion yei
		2017	2018	2019	2020	2021
Research and Development Expenses		62.1	65.2	68.0	71.7	81.5
Number of Patent Applications	D					(case
	2016	2017	2018		2019	2020
Japanese applications	780	904	g	957	1,076	1,045
Overaseas applications	352	434	5	513	467	587

Customer Satisfaction

Improvement in Customer Satisfaction*

	(Base year)	2017	2018	2019	2020	2021
Japan	(FY2015)	1.11	1.13	1.14	1.14	1.14
Spain	(FY2016)	1.21	1.15	1.12	1.13	1.14
China	(FY2018)	-	1.00	1.04	1.04	1.04
India	(FY2016)	1.06	1.09	1.13	1.15	1.19
Indonesia	(FY2017)	1.00	1.03	1.03	1.10	1.11
Singapore	(FY2015)	1.00	1.00	1.00	1.01	1.00
Italy	(FY2019)	-	-	1.00	1.07	1.01
Vietnam	(FY2015)	1.04	1.09	1.11	1.17	1.21
Australia	(FY2015)	1.00	1.00	1.00	1.00	1.02
France	(FY2019)	-	-	1.00	0.98	1.02
UAE	(FY2015)	1.04	1.03	1.04	1.05	1.05

* Satisfaction of after-sales services, regarding the base year as 1.00.

Related Page: > Customer Satisfaction (Page 284)

Customer Satisfaction with After-sales Service*

	2017	2018	2019	2020	2021
Overall satisfaction	4.49	4.56	4.63	4.60	4.60

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* Results of responses online as well as on postcard-sized surveys that are sent to a random sampling of customers one or two weeks after they receive servicing. Weighted average on a scale of 5.

Related Page: > Customer Satisfaction (Page 284)

Number of Inquiries to the Contact Center

	2017	2018	2019	2020	2021
Repair inquiries	765	799	919	800	604
Technical advice	796	707	758	789	595
Parts inquiries	295	393	311	254	207
Others	18	19	29	14	13
Total	1,874	1,918	2,017	1,858	1,419

JG

Related Page: > Customer Satisfaction (Page 284)

Number of Inquiries to the Contact Center	China
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(thousands)

	2017	2018	2019	2020	2021
Repair inquiries	815	765	689	788	843
Technical advice	69	51	32	31	36
Parts inquiries	139	145	106	104	97
Total	1,024	962	828	923	976

Related Page: > Customer Satisfaction (Page 284)

Human Resources

Employees

Employee Composition*

	2	017	2	018	2	019	2	020	20	21
	Men	Women								
Number of employees	7,002	1,286	7,180	1,368	7,352	1,440	7,458	1,527	7,339	1,579
Average range of services (years)	17.3	11.3	17.9	11.9	16.9	11.0	16.8	10.9	16.7	10.9
Average age	42.2	35.1	42.6	35.2	42.4	35.2	42.4	35.2	41.8	35.4
Number of managers	1,030	53	1,063	59	1,100	63	1,110	71	1,122	68
Number of directors, audit & supervisory board members and senior executive officers	32	1	34	1	34	1	37	1	40	2
Number of foreign nationals	52	28	54	30	62	31	64	33	62	34

* Includes employees on loan.

Note: Figures as of fiscal year-end.

Related Page: > Workplace Diversity (Page 335)

Employee Make-up by Region* OJG

	20	17	20	18	2019		
	Number of companies	Number of employees	Number of companies	Number of employees	Number of companies	Number of employees	
Daikin Industries, Ltd. (Only)	1	7,036	1	7,254	1	7,499	
Domestic Group (Excluding Daikin Industries, Ltd.)	28	4,976	30	5,243	29	5,380	
U.S.	51	14,798	55	16,686	58	17,497	
China	32	18,599	33	19,194	36	18,996	
Europe	68	7,580	80	9,034	78	9,407	
Asia, Oceania	49	14,250	50	15,686	51	16,456	
Others (Latin America,Middle East,Africa, e.t.c)	41	3,024	43	3,387	61	5,134	
Total	270	70,263	292	76,484	314	80,369	

20	20	20	21
Number of companies	Number of employees	Number of companies	Number of employees
1	7,732	1	7,652
30	5,586	30	5,717
61	19,812	67	20,275
33	19,360	32	19,567
75	9,947	77	11,147
54	17,367	55	18,542
62	5,066	61	5,798
316	84,870	323	88,698

* Figures as of fiscal year-end.

Number of Employees by Gender and Employment Rate of Women OJG

	2018	2019	2020	2021
Man	55,415	58,229	61,046	63,753
Woman	21,069	22,140	23,824	24,945
Total	76,484	80,369	84,870	88,698
Women as % of all employees	28%	28%	28%	28%

Number of Employees Leaving, Employee Turnover

	2017	2018	2019	2020	2021
Men	246	265	272	369	332
Women	68	78	69	57	61
Total	314	343	341	426	393
Employee turnover	3.8%	4.0%	3.9%	3.7%	4.4%

Related Page:> Work-Life Balance (Page 357)

Number of New Employees Hired; Women as Percentage of All New Employees Hired^*

D

	2017	2018	2019	2020	2021
Men	181	298	308	303	284
Women	97	131	123	118	112
Total	278	429	431	421	396
Women as % of all new employees	34.9%	30.5%	28.5%	28.0%	28.3%

* Number of people joining the company on April 1.

Related Page: > Workplace Diversity (Page 335)

Development of Human Resources

Human Resources Development of Manufacturing

		2017	2018	2019	2020	2021
Japan M	The ratio of Excellent or Advanced Skilled Engineers ^{*1} in Manufacturing (%)	29.5	34.7	31.6	30.3	30.5
	Ratio ^{*2}	1 in 3.4 employees	1 in 2.9 employees	1 in 3.2 employees	1 in 3.3 employees	1 in 3.3 employees
Overseas	The ratio of Excellent or Advanced Skilled Engineers ^{*1} in Manufacturing (%)	-	-	-	-	6.2
	Ratio ^{*2}	-	-	-	-	16.1
Entire Group	The ratio of Excellent or Advanced Skilled Engineers ^{*1} in Manufacturing (%)	-	-	-	-	14.8
	Ratio ^{*2}	-	-	-	-	6.8

*1 High-skilled engineers with knowledge and leadership.

*2 One out of every-employees is Excellent or Advanced Skilled Engineer.

Related Page: > Fostering Human Resources (Page 321)

Workplace Diversity

Number and Percentage of Women in Management Positions

	2017	2018	2019	2020	2021
Number of Female Managers	53	59	63	71	68
Females as Percentage of all managers	4.9%	5.3%	5.4%	6.0%	5.7%

D

OG

Related Page: > Workplace Diversity (Page 335)

Number of Overseas Bases Where Local Nationals are Presidents and Executives

	2017	2018	2019	2020	2021
Number of Bases Where Local Nationals are Presidents and Executives	46	42	48	43	44
Number of Overseas Bases Where Local Nationals are President	32	32	32	30	32
Number of Overseas Bases Where Local Nationals are Executives	67	64	68	68	63

Related Page: > Workplace Diversity (Page 335)

Percentage of Overseas Bases Where Local Nationals are President and Executives

(%)

	2017	2018	2019	2020	2021
Percentage of Overseas Bases Where Local Nationals are President	46.4	46.4	47.1	42.9	45.0
Percentage of Overseas Bases Where Local Nationals are Executives	47.9	43.0	48.6	48.2	44.0

Related Page: > Workplace Diversity (Page 335)

Number of Re-employed Workers and Percentage of Re-employed after Retiring

		2017	2	2018		2019		18 2019		2020		2020		2021	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women					
Number of retirees	100	2	104	2	127	7	142	8	184	9					
Number of re- employed workers	88	2	90	2	115	7	121	7	163	8					
Percentage re- employed after retiring		88.2%		86.8%	91.0%		91.0% 85.3%			88.6%					

D

Related Page: > Workplace Diversity (Page 335)

Number of People with Disabilities Employed and Employment Rate

	2017	2018	2019	2020	2021
Number of people with disabilities employed ^{*1}	327	359	369	390	362
Employment rate of people with disabilities ^{*2}	2.28%	2.42%	2.44%	2.55%	2.60%

*1 Legally, one severely disabled person employed is counted as two people with disabilities.

*2 Disability employment rate = number of people with disabilities employed / number of full-time employees.

Note: Figures as of end of fiscal year.

Related Page: > Workplace Diversity (Page 335)

Occupational Safety and Health

Number of Sites that Obtained Occupational Safety and Health Management System Certification

	2021					
	Air Conditioning	Chemicals	Total			
Japan	2	1	3			
China	15	3	18			
Asia and Oceania	12	0	12			
Europe	23	4	27			
Americas	0	1	1			
Total	52	9	61*			

* Acquired by approximately 60% of all manufacturing bases

Related Page> Occupational Safety and Health (Page 346)

Frequency Rate of Lost Work Time Accidents^{*1} OJG

	2017	2018	2019	2020	2021
Daikin Group (Including Overseas)	1.33	1.38	1.26	1.01	1.19
Japan (Manufacturing Industry Average)	1.66	1.83	1.80	1.95	2.09
U.S. (Average for All Industries) ^{*2}	14.0	14.0	14.0	13.5	-

*1 This shows the frequency of occupational accidents resulting in lost work time, expressed in number of casualties for every 1,000,000 working hours.

Frequency rate = Number of injuries or fatalities from occupational accidents resulting in lost work time / Total actual working hours × 1,000,000

*2 Calculated based on information from U.S. Bureau of Labor Statistics (November 2021). No data was released for the U.S. in fiscal 2021. (As of the end of JUN 2022)

Related Page: > Occupational Safety and Health (Page 346)

	2017	2018	2019	2020	2021
Daikin Group (Including Overseas)	0.04	0.03	0.04	0.03	0.03
Japan (Manufacturing Industry Average)	0.09	0.09	0.09	0.09	0.09

Note: This shows the severity of the calamity, expressed in man-days lost per 1,000 hours worked. Severity rate = Total number of working days lost / Total actual working hours × 1,000.

Work-Life Balance

Number of Employees Taking Childcare Leave

		2017	2018	2019	2020	2021
	Men	257	274	337	327	405
Number taking childcare leave	Women	131	140	145	173	179
	Total	388	414	482	500	584

D

Note: Number of employees taking childcare leave each fiscal year.

Related Page: > Work-Life Balance (Page 357)

Number Taking Family Care Leave

		2017	2018	2019	2020	2021
Number taking family care leave	Men	2	0	4	3	3
Number taking family care leave	Women	2	3	1	1	2
Total	•	4	3	5	4	5

D

Related Page: > Work-Life Balance (Page 357)

Percentage of Employees Taking All Paid Leave

	2017	2018	2019	2020	2021
Percentage of Daikin Industries, Ltd. employees	93.5	94.8	95.7	91.5	95.8
Percentage of Japanese workers in the manufacturing industry (according to Ministry of Health, Labour and Welfare)	59.9	58.4	52.4	56.3	61.6

Related Page: > Occupational Safety and Health (Page 346)

Average Hours of Overtime per Employee	D
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	2017	2018	2019	2020	2021
Hours	209.70	217.10	207.80	193.00	211.80

Related Page: > Occupational Safety and Health (Page 346)

D

Periodic Health Checkup Results

	2017	2018	2019	2020	2021
Percentage of employees taking checkup	99	99	94	99	99
Percentage of employees requiring treatment	53	56	69	59	63

Related Page: > Occupational Safety and Health (Page 346)

(%)

(hours)

Labor-Management Relations

Ratio of Union Member 🛛 🖻

	2017	2018	2019	2020	2021
Percentage of Employees in Union	86	86	87	87	87

(%)

Supply Chain Management

Class A CSR Procurement Achievement Rate *	OJG	(%)
	2020	2021
Japan	65	66
Overseas	65	73
Entire Group	65	72

* Procurement value from suppliers that satisfy Daikin's Class A standards of total procurement value.

Related Page: > Philosophy on Suppliers (Page 454)

Communities

Expenditure for Social Contribution Activities OJG

(million yen)

	2017	2018	2019	2020	2021
Total	1,623	1,415	1,477	1,292	1,388

Related Page: > Daikin's Philosophy of Social Contribution (Page 518)

Shareholders and Investors

Business / Financial Data (Consolidated)

	2017	2018	2019	2020	2021
	Years ended March31, 2018	Years ended March31, 2019	Years ended March31, 2020	Years ended March31, 2021	Years ended March31, 2022
Net Sales (billion yen)	2,290.6	2,481.1	2,550.3	2,493.4	3,109.1
Operating Income (billion yen)	253.7	276.3	265.5	238.6	316.4
Ordinary Income (billion yen)	255.0	277.1	269.0	240.2	327.5
Net Income (billion yen)	189.1	189.0	170.7	156.2	217.7
Earnings Per Share (yen)	646.53	646.39	583.61	533.97	743.88
Overseas Business Ratio (%)	76	76	77	77	79
Free Cash Flow (billion yen)	51.2	▲9.8	125.6	123.5	▲13.4
Return on Assets (%)	7.8	7.3	6.4	5.3	6.2
Return on Equity (%)	15.7	13.9	12.0	10.1	12.0
Shareholders' Equity Ratio (%)	52.1	52.4	53.8	51.4	51.5
Plant-and-Equipment Investment (billion yen)	96.6	87.2	132.0	137.0	156.3

Liability w Ratio (%)	vith Interest	22.3	21.7	20.8	23.2	21.6
Total	Consolidated	2,475.7	2,700.9	2,667.5	3,239.7	3,824.0
Assets (billion yen)	Non- consolidated	1,440.9	1,430.9	1,420.5	1,683.0	1,814.5
Fiscal Year Prices	r End Stock	11,735	12,970	13,170	22,320	22,410
Operating Margin (C	g Income Consolidated)	11.1	11.1	10.4	9.6	10.2
Dividends		140	160	160	160	200

Note: According to the adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting.etc.., from FY2018, the figures in FY 2017 have been retrospectively adjusted.

Consolidated Sales by Business Segments (Consolidated)

2017 2018 2019 2020 2021 Air Conditioning 89.6 89.6 90.5 91.2 91.0 Chemicals 8.0 8.1 7.1 6.6 6.8 Oil Hydraulics, Defense Systems, and Electronics 2.4 2.3 2.4 2.2 2.2

(%)

Consolidated Sales by Region (Consolidated)

(billion yen)

	2017	2018	2019	2020	2021
Japan	542.73	585.11	596.98	585.57	638.45
U.S.	551.82	625.04	666.31	641.30	840.46
Europe	332.96	366.67	405.61	417.23	553.21
Asia and Oceania	349.19	387.09	395.46	351.04	426.11
China	381.67	379.63	341.28	369.82	478.12
Others	132.20	137.57	144.67	128.43	172.76
Total	2,290.56	2,481.11	2,550.31	2,493.39	3,109.11

Breakdown of Shareholders

		2020		2021		
	Number of voters	Shares held	As Percentage of all shareholders	Number of voters	Shares held	As Percentage of all shareholders
Government and local public bodies	0	0	0	0	0	0
Financial institutions	166	143,393,230	48.9	157	143,478,514	48.9
Securities companies	74	3,535,464	1.2	77	4,729,568	1.6
Other corporations	543	27,773,805	9.5	593	25,993,905	8.9
Foreign corporation	1,080	106,104,014	36.2	1,067	106,324,014	36.3
Individuals, other	23,696	12,307,460	4.2	28,012	12,587,972	4.3
Total	25,559	293,113,973	100.0	29,906	293,113,973	100.0

Related Page: Dialogue with Shareholders and Investors (Page 498)

Voting Rights Exercised

	The 115th Ordinary General Meeting of Shareholders (held in June 2018)	The 116th Ordinary General Meeting of Shareholders (held in June 2019)	The 117th Ordinary General Meeting of Shareholders (held in June 2020)	The 118th Ordinary General Meeting of Shareholders (held in June 2021)	The 119th Ordinary General Meeting of Shareholders (held in June 2022)
Voting rights exercised (%)	89.53	87.41	89.20	89.37	91.42
Votes cast over the Internet	1,744,888	1,754,167	1,897,714	1,884,731	1,968,501
Shereholderes voting online	1,020	1,290	1,826	2,730	3,593

Related Page: > Dialogue with Shareholders and Investors (Page 498)

Number of the Company Shares Held by Directors and Audit & Supervisory Board Members (fiscal 2021)

Position	Name	Number of shares held (unit: k)
Chairman of the Board	Noriyuki Inoue	67
Representative Director	Masanori Togawa	10
Member of the Board (external)	Tatsuo Kawada	-
Member of the Board (external)	Akiji Makino	2
Member of the Board (external)	Shingo Torii	1
Member of the Board (external)	Yuko Arai	-
Representative Director	Ken Tayano	5
Member of the Board	Masatsugu Minaka	8
Member of the Board	Takashi Matsuzaki	8
Member of the Board	Yoshihiro Mineno	6
Member of the Board (non-resident)	Kanwal Jeet Jawa	-
Audit & Supervisory Board Members (external)	Ryu Yano	-
Audit & Supervisory Board Members (external)	Toru Nagashima	-
Audit & Supervisory Board Members	Kosei Uematsu	8
Audit & Supervisory Board Members	Hisao Tamori	1
total		118

Situation of Major Shareholders (fiscal 2020)

Name of Individual or Company	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of shares issued (excl. treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,402	20.98
Custody Bank of Japan, Ltd. (Trust Account)	20,035	6.85
Sumitomo Mitsui Banking Corporation	9,000	3.07
JPMorgan Chase Bank 385632 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	7,763	2.65
Custody Bank of Japan, Ltd. Retirement Benefit Trust Account for The Norinchukin Bank	4,999	1.71
MUFG Bank, Ltd.	4,900	1.67
SSBTC CLIENT OMNIBUS ACCOUNT	4,729	1.62
Custody Bank of Japan, Ltd. (Trust Account 4)	4,621	1.58
STATE STREET BANK WEST CLIENT - TREATY 505234	4,059	1.39
SUMITOMO LIFE INSURANCE COMPANY	3,595	1.23
Total	125,106	42.74

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Note: Of the above shares held, 61,402 thousands shares of The Master Trust Bank of Japan, Ltd. and 20,035 thousand, 4,999 thousands, and 4,621 thousands shares of Japan Trustee Services Bank, Ltd. relate to trust operations.

Issued Shares (fiscal 2021)

D

Category	Number of shares	Number of voting rights	Description
Non-voting shares	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with voting rights (treasury shares, etc.)	Ordinary shares – Treasury shares 424,900	-	-
	Ordinary shares – Reciprocal holding 9,500	-	-
Shares with voting rights (other)	Ordinary shares 292,586,700	2,925,867	-
Shares less than one unit	Ordinary shares 92,873	-	Shares less than one unit (100 shares)
Number of issued and outstanding shares	293,113,973	-	-
Total number of voting rights	-	2,925,867	-

Note: Ordinary shares in "Shares with voting rights (other)" include 1,000 shares (10 voting rights) which are held in the name of Japan Securities Depository Center, Incorporated.

Governance

Number of Executives and Breakdown*

		2020	2021	2022	
Inter	Internal	Men	7 (non-Japanese 1)	7 (non-Japanese 1)	7 (non-Japanese 1)
	internal	Women	0	0	0
Executives	External	Men	3	3	3
	External	Women	1	1	1
	Total	1	11	11	11

* Current as of June 2022.

Related Page: Corporate Governance (Page 402)

Number of Auditors and Breakdown*	D
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			2020	2021	2022
Auditors	Internal	Men	2	2	2
		Women	0	0	0
	External	Men	2	2	2
	External	Women	0	0	0
	Total	·	4	4	4

* Current as of June 2022.

Number of Board of Directors' Meetings and Average Attendance

	2019	2020	2021
Number of meetings	15	15	15
Average attendance of Board of Directors' meetings (%)	94	97	97

D

Related Page: > Corporate Governance (Page 402)

Average Appointment Term for Directors

	2020	2020
Average appointment term	9 years	9.7 years

Related Page: > Corporate Governance (Page 402)

Make-up of Human Resources Advisory Commitee and Compensation Advisory Committee*

D

			2020	2021	2022
Human Resources Advisory Commitee and Compensation Advisory Committee	Internal	Men	1	1	1
	directors	Women	0	0	0
	External directors	Men	3	3	3
		Women	1	1	1
	Executive	Men	1	1	1
	officers	Women	0	0	0

* Current as of June 2022.

The Vesting for Variable CEO Compensation	
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Period During Which CEO's Change in Compensation is Based On

Related Page: Corporate Governance (Page 402)

Executive Compensation*

		2017	2018	2019	2020	2021
Directors	Number	11	12	12	12	14
	Amount of compensation (million yen)	1,298	1,183	1,186	1,281	1,364
Audit & Supervisory Board Member	Number	4	4	5	4	4
	Amount of compensation (million yen)	93	98	99	99	99
	Number	15	16	17	16	18
Total	Amount of compensation (million yen)	1,391	1,281	1,285	1,380	1,463

D

* About compensation amounts

For fiscal 2018, the compensation amount for the term of office of two auditors who retired is included.

For fiscal 2019, the compensation amount for the term of office of one auditor and two directors who retired is included.

For fiscal 2020, the compensation amount for the term of office of one director who retired is included.

For fiscal 2021, the compensation amount for the term of office of three director who retired is included.

Corporate Officers with Compensation Over 100 Million Yen (Fiscal 2021)

	Total			Total consolid	ated compen (million yen)	sation by type
Name	Name consolidated Category Company (million yen)		Company	Fixed compensation	Stock options	Performance- linked compensation
Noriyuki Inoue	432	Director	Daikin Industries, Ltd.	189	51	191
Masanori Togawa	300	Director	Daikin Industries, Ltd.	123	51	125
		Director	Daikin Industries, Ltd.	83	31	54
Ken Tayano	182	President	Daikin (CHINA) Investment Co., Ltd. (Consolidated subsidiary)	13	_	_
		Director	Daikin Industries, Ltd.	_	28	40
Masatsugu Minaka	150	Director	Daikin Europe N.V. (Consolidated subsidiary)	74		6
Takashi Matsuzaki	139	Director	Daikin Industries, Ltd.	57	26	55
Kanwal		Director	Daikin Industries, Ltd.	14	16	_
Kanwal Jeet Jawa	124	Director	Daikin Airconditioning India Pvt. Ltd.	60	_	33
Yoshihiro Mineno	117	Director	Daikin Industries, Ltd.	42	28	46

D

Note: Only those individuals receiving 100 million yen or more of consolidated remuneration are listed.

Accounting Auditor Compensation	D		(million yen)
		2021	
Auditing expenses			255

Related Page: > Corporate Governance (Page 402)

Starting Salary^{*} D

-

(yen)

(cases)

	2018	2019	2020	2021	2022
University grad	225,000	225,000	225,000	225,000	235,000
Masters	244,800	244,800	244,800	244,800	254,800
PhD	268,800	268,800	268,800	268,800	278,800

* Figures are those during April of each year.

Major Legal Violations OJG

	2019	2020	2021
Number of Major Legal Violations	0	0	0

Related Page: > Compliance (Page 414)

COMPARISON CHART OF GUIDELINES

Fiscal 2021 report content regarding efforts toward sustainability corresponding to various guidelines is as follows.

Information and indices required for each guideline is summarized and disclosed as searchable > ESG data. (Page 653)

Climate-Related Financial Information Disclosure Taskforce Comparison Table

This comparison table discloses information categorized as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

Disclosure Categories Recommended and Endorsed by the Task Force on Climate- related Financial Disclosures	Posted location	
Governance	1	
Governance related to climate-related risks and opportunities		
a) Board of Director monitoring system with regard to climate-related risks and opportunities	> Management Structure	(Page 13
b) Management Role within the assessment and management of climate-related risks and opportunities	> Management Structure	(Page 13
Strategy		
Actual and potential impact of climate-related risks and opportunities on business, stra	tegy and financial planning	
a) Details of climate-related risks and opportunities over the short-, medium- and long-term	> Environmental Risks and Opportunities	(Page 13
 b) Impact of climate-related risks and opportunities on organization business, strategy and financial planning 	> Environmental Risks and Opportunities	(Page 13
c) Strategic resilience in light of considerations based on climate related scenarios	> Long-Term Outlook Policy	(Page 51

Risk Management

Process for identifying assessing and managing climate-related risks

a) Process for specifying and assessing climate-relate risks	> Environmental Risks and Opportunities	(Page 1
b) Process for managing climate-relate risks	> Environmental Risks and Opportunities	(Page 1
c) Specification, assessment and management process integration of climate-related risks for comprehensive risk management	Environmental Risks and Opportunities	(Page 1
Indices and Targets		
Indices and targets used to assess and manage climate-related risks and opportunities		
a) Indices used by organizations to assess climate-related risks and opportunities in line with strategy and risk management processes	> Environmental Action Plan	(Page 1
b) Scope 1–3 greenhouse gas emissions volume and related risks	 > Overview of Environmental Impact > ESG Data 	(Page 1 (Page 6
	> Environmental Action Plan	(Page 1
c) Targets and achievements for managing climate-related risks and opportunities	> ESG Data	(Page 6

GRI Standard Comparison Table

This comparison table indicates standard disclosure items in accordance with the GRI Sustainability Reporting Standards.

General Disclosures

	Disclosure	WEB	
Organizatior	nal Profile		
102-1	Name of the organization	> Corporate Information	
102-2	Activities, brands, products, and services	(https://www.daikin.com/corporate/over	rview/)
102-3	Location of headquarters	_	
102-4	Location of operations		
102-5	Ownership and legal form		
102-6	Markets served		
102-7	Scale of the organization		
102-8	Information on employees and other workers	> Workplace Diversity	(Page 335)
102-9	Supply chain	Process for Identifying Key Sustainability Themes	(Page 96)
102-10	Significant changes to the organization and its supply chain	-	
102-11	Precautionary Principle or approach	> Risk Management	(Page 409)
102-12	External initiatives	 Participation in the Global Compact Dialogue with Government and Industry Groups (Initiatives and Groups We Participate In) 	(Page 65) (Page 506)
102-13	Membership of associations	-	

Strategy			
102-14	Statement from senior decision-maker	Name for the Descident	(Dama 20
102-15	Key impacts, risks, and opportunities	 Message from the President 	(Page 20
Ethics and In	tegrity		
102-16	Values, principles, standards, and norms of behavior	> CSR Philosophy	(Page 69
102-17	Mechanisms for advice and concerns about ethics	> Compliance	(Page 41
Governance			
102-18	Governance structure	> Corporate Governance	(Page 40
102-19	Delegating authority	-	
102-20	Executive-level responsibility for economic, environmental, and social topics	> CSR Management Structure	(Page 93
		> Corporate Governance	(Page 4
102-21	Consulting stakeholders on economic, environmental, and social topics	Process for Identifying Key Sustainability Themes	(Page 90
102-22	Composition of the highest governance body and its committees (https://w	> Management ww.daikin.com/corporate/overview/sun	nmary/directo
102-23	Chair of the highest governance body	> Corporate Governance	(Page 4
102-24	Nominating and selecting the highest governance body	> Corporate Governance	(Page 4
102-25	Conflicts of interest	-	
402.26	Role of highest governance body in setting purpose, values,	> CSR Management Structure	(Page 93
102-26	and strategy	> Corporate Governance	(Page 4
102-27	Collective knowledge of highest governance body	-	
102-28	Evaluating the highest governance body's performance	> Corporate Governance	(Page 4
102-29	Identifying and managing economic, environmental, and social impacts	 > Process for Identifying Key Sustainability Themes > Risk Management 	(Page 9)

102-30	Effectiveness of risk management processes	Risk Management	(Page 40
102-31	Review of economic, environmental, and social topics		(
102-32	Highest governance body's role in sustainability reporting	> CSR Management Structure	(Page 93
102-33	Communicating critical concerns	> Risk Management	(Page 40
102-55	communicating entital concerns	> Corporate Governance	(Page 40
102-34	Nature and total number of critical concerns	-	
102-35	Remuneration policies		
102-36	Process for determining remuneration	Corporate Governance	(Page 40
102-37	Stakeholders' involvement in remuneration	-	
102-38	Annual total compensation ratio	-	
102-39	Percentage increase in annual total compensation ratio	-	
Stakeholde	r Engagement		
102-40	List of stakeholder groups	> Stakeholder Engagement	(Page 49
102-41	Collective bargaining agreements	> Labor Management Relations	(Page 36
102-42	Identifying and selecting stakeholders	> Stakeholder Engagement	(Page 49
102-43	Approach to stakeholder engagement	Stakeholder Engagement	
102-44	Key topics and concerns raised		(Page 49

102-45	Entities included in the consolidated financial statements		(Dage 4)
102-46	Defining report content and topic Boundaries	Editorial Policy	(Page 4)
102-47	List of material topics	Process for Identifying Key Sustainability Themes	(Page 96
102-48	Restatements of information	-	
102-49	Changes in reporting	-	
102-50	Reporting period		
102-51	Date of most recent report	> Editorial Policy	(Page 4)
102-52	Reporting cycle		
102-53	Contact point for questions regarding the report	Sustainability Report Questionnaire (https://www.daikin.com/contact/c	
102-54	Claims of reporting in accordance with the GRI Standards	Comparison Chart of Cuidalings	(Dama 60
102-55	GRI content index	Comparison Chart of Guidelines	(Page 69
102-56	External assurance	> Third-Party Verification	(Page 64
Manageme	nt Approach		
103-1	Explanation of the material tonic and its Roundany	> CSR Management Structure	(Page 93
105-1	Explanation of the material topic and its Boundary	> Sustainability Targets and Results	(Page 10
103-2	The management approach and its components	> CSR Management	(Page 68
		> Sustainability Targets and Results	(Page 10
103-3	Evaluation of the management approach	Sustainability Targets and Results	(Page 10

Economic

	Disclosure	WEB	
Economic Pe	rformance	·	
201-1	Direct economic value generated and distributed	> Social Contribution Expenses	(Page 518)
201-2	Financial implications and other risks and opportunities due to climate change	Information Disclosure based on the TCFD Framework	(Page 57)
201-3	Defined benefit plan obligations and other retirement plans	-	
201-4	Financial assistance received from government	-	
Market Prese	ence	·	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	
202-2	Proportion of senior management hired from the local community	> Workplace Diversity	(Page 335)
Indirect Ecor	nomic Impacts	·	
203-1	Infrastructure investments and services supported	-	
203-2	Significant indirect economic impacts	-	
Procurement	Practices		
204-1	Proportion of spending on local suppliers	-	

Anti-corrup	otion		
205-1		> Compliance	(Page 41
205-1	Operations assessed for risks related to corruption	> Risk Management	(Page 40
205-2	Communication and training about anti-corruption policies	> Compliance	(Page 41
	and procedures	> Prohibiting Bribery and Corruption	(Page 42
205-3	Confirmed incidents of corruption and actions taken	-	
Anti-compe	etitive Behavior		
		> Compliance	(Page 41
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Free Competition and Fair Business Dealings	(Page 42
Тах			
207-1	Approach to tax		
207-2	Tax governance, control, and risk management	Tax Compliance	(Page 43
207-3	Stakeholder engagement and management of concerns related to tax		
207-4	Country-by-country reporting	-	

Environmental

	Disclosure	WEB	
Materials			
301-1	Materials used by weight or volume	> Overview of Environmental Impact	(Page 126
301-2	Recycled input materials used	-	
301-3	Reclaimed products and their packaging materials	> Resource Recycling	(Page 221
Energy			
302-1	Energy consumption within the organization		
302-2	Energy consumption outside of the organization	 Overview of Environmental Impact 	(Page 126
302-3	Energy intensity	Reducing Greenhouse Gases during Development, Production and Transportation	(Page 195
302-4	Reduction of energy consumption	Reducing Greenhouse Gases during Development, Production and Transportation	(Page 195
		> Overview of Environmental Impact	(Page 126
302-5	Reduction in energy requirements of products and services	Reducing Greenhouse Gases during Development, Production and Transportation	(Page 195
		> Environmental Action Plan	(Page 105

Water			
303-1	Interactions with water as a shared resource	> Water Resource Conservation	(Page 2
303-2	Management of water discharge-related impacts	-	
303-3	Water withdrawal		
303-4	Water discharge	 Water Resource Conservation 	(Page 2
303-5	Water consumption	-	
Biodiversit	У	1	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	
304-2	Significant impacts of activities, products, and services on biodiversity	> Protecting Biodiversity	(Page 2
304-3	Habitats protected or restored	-	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	
Emissions			
305-1	Direct (Scope 1) GHG emissions	Overview of Environmental Impact	(Page 1
305-2	Energy indirect (Scope 2) GHG emissions	Reducing Greenhouse Gases during Development, Production and	(Page 1
305-3	Other indirect (Scope 3) GHG emissions	Transportation	
305-4	GHG emissions intensity	Reducing Greenhouse Gases during Development, Production and	(Page 1
305-5	Reduction of GHG emissions	Transportation	
305-6	Emissions of ozone-depleting substances (ODS)	 > Low Environmental Impact Refrigerants > Recovery, Reclamation and Destruction of Fluorocarbons 	(Page 1
			(Page 2
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	> Preventing Pollution	(Page 2

Waste			
306-1	Waste generation and significant waste-related impacts	Overview of Environmental Impact	(Page 12
306-2	Management of significant waste-related impacts	 Resource Recycling 	(Page 22
306-3	Waste generated	SG Data	
306-4	Waste diverted from disposal		(Page 65
306-5	Waste directed to disposal		
Environment	al Compliance		
307-1	Non-compliance with environmental laws and regulations	Major Legal Violations in Daikin in Fiscal 2021	(Page 41
Supplier Envi	ronmental Assessment		
308-1	New suppliers that were screened using environmental criteria	 Supply Chain Management Green Procurement 	(Page 49
308-2	Negative environmental impacts in the supply chain and actions taken		(Page 15

Social

	Disclosure	WEB	
Employmer	nt	'	
401.1		> Workplace Diversity	(Page 33
401-1	New employee hires and employee turnover	> Work-Life Balance	(Page 3
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	
401-3	Parental leave	> Work-Life Balance	(Page 35
Labor/Man	agement Relations	'	
402-1	Minimum notice periods regarding operational changes	-	
Occupation	al Health and Safety	'	
403-1	Occupational health and safety management system	> Occupational Safety and Health	(Page 34
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health	(Page 34
403-2		> Compliance	(Page 41
403-3	Occupational health services	-	
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health	(Page 34
403-5	Worker training on occupational health and safety	Occupational Safety and Health	(Page 34
403-6	Promotion of worker health	Occupational Safety and Health	(Page 3
403-7	Prevention and mitigation of occupational health and safety	Occupational Safety and Health	(Page 34
+02-1	impacts directly linked by business relationships	> Working Closely with Suppliers	(Page 4
403-8	Workers covered by an occupational health and safety management system		
403-9	Work-related injuries	Occupational Safety and Health	(Page 3
403-10	Work-related ill health		

404-1	Average hours of training per year per employee	_	
404-2	Programs for upgrading employee skills and transition assistance programs	> Fostering Human Resources	(Page 3
404-3	Percentage of employees receiving regular performance and career development reviews	> Employee Evaluation and Treatment	(Page 3
Diversity an	d Equal Opportunity	·	
405-1	Diversity of governance bodies and employees	> Corporate Governance	(Page 4
		> Workplace Diversity	(Page 3
405-2	Ratio of basic salary and remuneration of women to men	-	
Non-discrim	ination		
406-1	Incidents of discrimination and corrective actions taken	-	
Freedom of	Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labor Management Relations	(Page 3
Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Respect for Human Rights	(Page 4
Forced or Co	ompulsory Labor	·	
409-1	Operations and suppliers at significant risk for incidents of	Respect for Human Rights	(Page 4

	actices	1	
410-1	Security personnel trained in human rights policies or procedures	-	
Rights of In	ndigenous Peoples	·	
411-1	Incidents of violations involving rights of indigenous peoples	-	
Human Rig	hts Assessment	·	
412-1	Operations that have been subject to human rights reviews or impact assessments	-	
412-2	Employee training on human rights policies or procedures	> Respect for Human Rights	(Page 443)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	
Local Comr	nunities	1	
413-1	Operations with local community engagement, impact assessments, and development programs	-	
413-2	Operations with significant actual and potential negative impacts on local communities	-	
Supplier So	ocial Assessment		
414-1	New suppliers that were screened using social criteria	> Supply Chain Management	(Page 452)
414-2	Negative social impacts in the supply chain and actions taken	-	
Public Polic	y .	·	
415-1	Political contributions	-	

Customer He	alth and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Product Quality and Safety	(Page 306)
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	
Marketing a	nd Labeling	'	
417-1	Requirements for product and service information and labeling	> Efforts to Ensure Safety	(Page 314)
417-2	Incidents of non-compliance concerning product and service information and labeling	-	
417-3	Incidents of non-compliance concerning marketing communications	-	
Customer Pri	vacy	·	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	
Socioeconom	n Compliance	·	
419-1	Non-compliance with laws and regulations in the social and economic area	Major Legal Violations in Daikin in Fiscal 2021	(Page 418)